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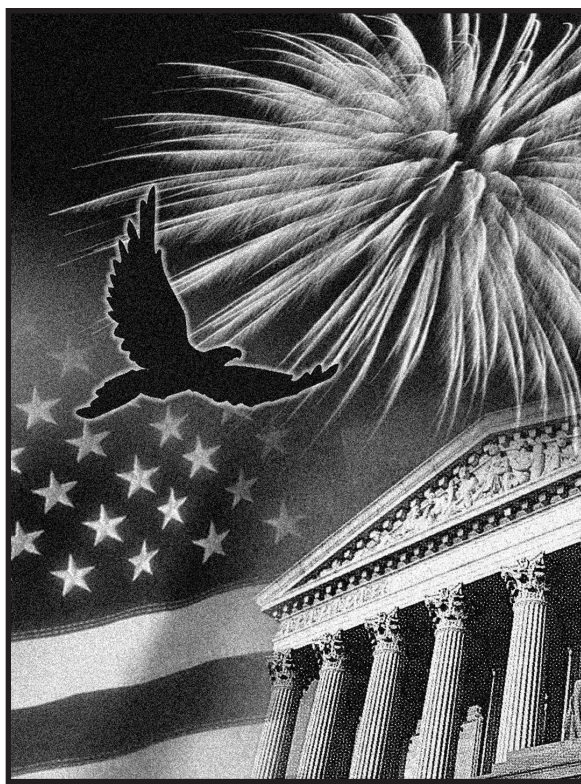
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Social Security and Other Information for Members of the Clergy and Religious Workers

For use in preparing
2015 Returns



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Future Developments

For the latest information about developments related to Pub. 517, such as legislation enacted after this publication was published, go to www.irs.gov/pub517.

What's New

Health care individual responsibility payment increased. If you or someone in your household didn't have qualifying health care coverage or qualify for a coverage exemption for one or more months of 2015, the amount of your shared responsibility payment may be much more this year than it was last year. Like last year, you must either:

- Indicate on line 61 of Form 1040 that you, your spouse (if filing jointly), and anyone you can or do claim as a dependent had qualifying health care coverage throughout 2015,
- Attach Form 8965 to claim an exemption from the requirement to have health care coverage, or
- Make a shared responsibility payment if, for any month in 2015, you, your spouse (if filing jointly), or anyone you can or do claim

as a dependent didn't have coverage and don't qualify for a coverage exemption.

For more information, see the instructions for Form 1040, line 61 and Form 8965.

Achieving a Better Life Experience (ABLE) account. This is a new type of savings account for individuals with disabilities and their families. For 2015, you can contribute up to \$14,000. Distributions are tax-free if used to pay the beneficiary's qualified disability expenses. Do not deduct your contributions on your tax return. For details, see Pub. 907 and the instructions for lines 21 and 59 of Form 1040.

Standard mileage rate. The business standard mileage rate for 2015 is 57.5 cents per mile.

Earnings subject to social security. For 2015, the maximum wages and self-employment income subject to social security tax increases from \$117,000 to \$118,500.

Modified AGI limit for traditional IRA contributions increased. For 2015, you may be able to take an IRA deduction if you were covered by a retirement plan at work and your modified AGI is:

- Less than \$118,000 if married filing jointly or qualifying widow(er),
- Less than \$71,000 if single or head of household, or
- Less than \$10,000 if married filing separately.

If you file a joint return and either you or your spouse wasn't covered by a retirement plan at work, you may be able to take an IRA deduction if your modified AGI is less than \$193,000.

Modified AGI limit for Roth IRA contributions increased. For 2015, you may be able to contribute to your Roth IRA if your modified AGI is:

- Less than \$193,000 if married filing jointly or qualifying widow(er),
- Less than \$131,000 if single, head of household, or married filing separately and you didn't live with your spouse at any time during the year, or
- Less than \$10,000 if married filing separately and you lived with your spouse at any time during the year.

Earned income credit (EIC). For 2015, the maximum amount of income you can earn and still claim the EIC has increased. You may be able to take the EIC if you earned less than \$47,747 (\$53,267 for married filing jointly) and you have three or more qualifying children; \$44,454 (\$49,974 for married filing jointly) and you have two qualifying children; \$39,131 (\$44,651 for married filing jointly) and you have one qualifying child; and \$14,820 (\$20,330 for married filing jointly) and you don't have any qualifying children.

Social security information. Social Security beneficiaries may quickly and easily obtain various information from SSA's website with a *my Social Security* account, including getting a replacement Form SSA-1099 or SSA-1042S. For more information, go to www.socialsecurity.gov/myaccount.

Reminder

Table 1. Are Your Ministerial Earnings* Covered Under FICA or SECA?

Find the class to which you belong in the left column and read across the table to find if you are covered under FICA or SECA. Don't rely on this table alone. Also read the discussion for the class in the following pages.

Class	Covered under FICA?	Covered under SECA?
Minister	NO. Your ministerial earnings are exempt.	YES, if you don't have an approved exemption from the IRS. NO, if you have an approved exemption.
Member of a religious order who hasn't taken a vow of poverty	NO. Your ministerial earnings are exempt.	YES, if you don't have an approved exemption from the IRS. NO, if you have an approved exemption.
Member of a religious order who has taken a vow of poverty	YES, if: <ul style="list-style-type: none"> • Your order elected FICA coverage for its members, or • You worked outside the order and the work wasn't required by, or done on behalf of, the order. NO, if neither of the above applies.	NO. Your ministerial earnings are exempt.
Christian Science practitioner or reader	NO. Your ministerial earnings are exempt.	YES, if you don't have an approved exemption from the IRS. NO, if you have an approved exemption.
Religious worker (church employee)	YES, if your employer didn't elect to exclude you. NO, if your employer elected to exclude you.	YES, if your employer elected to exclude you from FICA. NO, if you are covered under FICA.
Member of a recognized religious sect	YES, if you are an employee and don't have an approved exemption from the IRS. NO, if you have an approved exemption.	YES, if you are self-employed and don't have an approved exemption from the IRS. NO, if you have an approved exemption.

* Ministerial earnings are the self-employment earnings that result from [ministerial services](#), defined and discussed later.

Photographs of missing children. The Internal Revenue Service is a proud partner with the National Center for Missing & Exploited Children. Photographs of missing children selected by the Center may appear in this publication on pages that would otherwise be blank. You can help bring these children home by looking at the photographs and calling 1-800-THE-LOST (1-800-843-5678) if you recognize a child.

Introduction

Three federal taxes are paid on wages and self-employment income—income tax, social

security tax, and Medicare tax. Social security and Medicare taxes are collected under one of two systems. Under the Self-Employment Contributions Act (SECA), the self-employed person pays all the taxes. Under the Federal Insurance Contributions Act (FICA), the employee and the employer each pay half of the social security and Medicare taxes. No earnings are subject to both systems.

In addition, all wages and self-employment income that are subject to Medicare tax are subject to a 0.9% Additional Medicare Tax if they are paid in excess of the applicable threshold for an individual's filing status. Additional

Medicare Tax applies to Medicare wages, railroad retirement (RRTA) compensation, and self-employment income that are more than:

- \$125,000 if married filing separately,
- \$250,000 if married filing jointly, or
- \$200,000 for any other filing status.

Medicare wages and self-employment income are combined to determine if income exceeds the threshold. A self-employment loss isn't considered for purposes of this tax. RRTA compensation is separately compared to the threshold. There is no employer match for Additional Medicare Tax. For more information, see Form 8959, Additional Medicare Tax, and its separate instructions.

This publication contains information for the following classes of taxpayers.

- Ministers.
- Members of a religious order.
- Christian Science practitioners and readers.
- Religious workers (church employees).
- Members of a recognized religious sect.

Note. Unless otherwise noted, in this publication references to members of the clergy include ministers, members of a religious order (but not members of a recognized religious sect), and Christian Science practitioners and readers.

This publication covers the following topics about the collection of social security and Medicare taxes from members of the clergy, religious workers, and members of a recognized religious sect.

- Which earnings are taxed under FICA and which under SECA. See [Table 1](#) earlier.
- How a member of the clergy can apply for an exemption from self-employment tax.
- How a member of a recognized religious sect can apply for an exemption from both self-employment tax and FICA taxes.
- How a member of the clergy or religious worker figures net earnings from self-employment.

This publication also covers certain income tax rules of interest to ministers and members of a religious order.

A [Comprehensive Example](#) shows filled-in forms for a minister who has income taxed under SECA, other income taxed under FICA, and income tax reporting of items specific to a minister.



In the back of Pub. 517 is a set of [worksheets](#) that you can use to figure the amount of your taxable ministerial income and allowable deductions. You will find these worksheets right after the [Comprehensive Example](#).

Note. In this publication, the term “church” is generally used in its generic sense and not in reference to any particular religion.

Comments and suggestions. We welcome your comments about this publication and your suggestions for future editions.

You can send us comments from www.irs.gov/formspubs. Click on “More Information” and then on “Give us feedback.”

Or you can write to:

Internal Revenue Service
Tax Forms and Publications
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We respond to many letters by telephone. Therefore, it would be helpful if you would include your daytime phone number, including the area code, in your correspondence.

Although we can't respond individually to each comment received, we do appreciate your feedback and will consider your comments as we revise our tax products.

Ordering forms and publications. Visit www.irs.gov/formspubs to download forms and publications. Otherwise, you can go to www.irs.gov/orderforms to order current and prior-year forms and instructions. Your order should arrive within 10 business days.

Tax questions. If you have a tax question not answered by this publication, check IRS.gov and [How To Get Tax Help](#) at the end of this publication.

Useful Items

You may want to see:

Publication

- ☐ **54** Tax Guide for U.S. Citizens and Resident Aliens Abroad
- ☐ **525** Taxable and Nontaxable Income
- ☐ **529** Miscellaneous Deductions
- ☐ **535** Business Expenses
- ☐ **590-A** Contributions to Individual Retirement Arrangements (IRAs)
- ☐ **590-B** Distributions from Individual Retirement Arrangements (IRAs)
- ☐ **596** Earned Income Credit (EIC)

Form (and Instructions)

- ☐ **SS-8** Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding
- ☐ **SS-16** Certificate of Election of Coverage Under the Federal Insurance Contributions Act
- ☐ **Schedule C (Form 1040)** Profit or Loss From Business (Sole Proprietorship)
- ☐ **Schedule C-EZ (Form 1040)** Net Profit From Business (Sole Proprietorship)
- ☐ **Schedule SE (Form 1040)** Self-Employment Tax
- ☐ **1040-ES** Estimated Tax for Individuals
- ☐ **1040X** Amended U.S. Individual Income Tax Return
- ☐ **4029** Application for Exemption From Social Security and Medicare Taxes and Waiver of Benefits
- ☐ **4361** Application for Exemption From Self-Employment Tax for Use by Ministers, Members of Religious

Orders and Christian Science Practitioners

- ☐ **8274** Certification by Churches and Qualified Church-Controlled Organizations Electing Exemption From Employer Social Security and Medicare Taxes
- ☐ **8959** Additional Medicare Tax
- ☐ **8962** Premium Tax Credit (PTC)
- ☐ **8965** Health Coverage Exemptions

Ordering publications and forms. See [How To Get Tax Help](#), near the end of this publication, for information about getting these publications and forms.

Social Security Coverage

This section gives information about which system (SECA or FICA) is used to collect social security and Medicare taxes from members of the clergy (ministers, members of a religious order, and Christian Science practitioners and readers) and religious workers (church employees).

Coverage of Members of the Clergy

The services you perform in the exercise of your ministry, of the duties required by your religious order, or of your profession as a Christian Science practitioner or reader are covered by social security and Medicare under SECA. Your earnings for these [ministerial services](#) (defined later) are subject to self-employment (SE) tax unless one of the following applies.

- You are a member of a religious order who has taken a vow of poverty.
- You ask the Internal Revenue Service (IRS) for an exemption from SE tax for your services and the IRS approves your request. See [Exemption From Self-Employment \(SE\) Tax](#), later.
- You are subject only to the social security laws of a foreign country under the provisions of a social security agreement between the United States and that country. For more information, see [Bilateral Social Security \(Totalization\) Agreements](#) in Pub. 54.

Your earnings that aren't from ministerial services may be subject to social security tax under FICA or SECA according to the rules that apply to taxpayers in general. See [Ministerial Services](#), later.

Ministers

If you are a minister of a church, your earnings for the services you perform in your capacity as a minister are subject to SE tax, even if you perform these services as an employee of that church. However, you can request that the IRS grant you an exemption, as discussed under [Exemption From Self-Employment \(SE\) Tax](#), later. For the specific services covered, see [Ministerial Services](#), later.

Ministers defined. Ministers are individuals who are duly ordained, commissioned, or licensed by a religious body constituting a church or church denomination. Ministers have the authority to conduct religious worship, perform sacerdotal functions, and administer ordinances or sacraments according to the prescribed tenets and practices of that church or denomination.

If a church or denomination ordains some ministers and licenses or commissions others, anyone licensed or commissioned must be able to perform substantially all the religious functions of an ordained minister to be treated as a minister for social security purposes.

Employment status for other tax purposes. Even though all of your income from performing ministerial services is subject to self-employment tax for social security tax purposes, you may be an employee for income tax or retirement plan purposes in performing those same services. For income tax or retirement plan purposes, your income earned as an employee will be considered wages.

Common-law employee. Under common-law rules, you are considered either an employee or a self-employed person. Generally, you are an employee if you perform services for someone who has the legal right to control both what you do and how you do it, even if you have considerable discretion and freedom of action. For more information about the common-law rules, see Pub. 15-A, Employer's Supplemental Tax Guide.

If a congregation employs you and pays you a salary, you are generally a common-law employee and income from the exercise of your ministry is wages for income tax purposes. However, amounts received directly from members of the congregation, such as fees for performing marriages, baptisms, or other personal services, aren't wages; such amounts are self-employment income for both income tax purposes and social security tax purposes.

Example. A church hires and pays you a salary to perform ministerial services subject to its control. Under the common-law rules, you are an employee of the church while performing those services.

Form SS-8. If you aren't certain whether you are an employee or a self-employed person, you can get a determination from the IRS by filing Form SS-8.

Members of Religious Orders

If you are a member of a religious order who hasn't taken a vow of poverty, your earnings for ministerial services you perform as a member of the order are subject to SE tax. See [Ministerial Services](#), later. However, you can request that the IRS grant you an exemption as discussed under [Exemption From Self-Employment \(SE\) Tax](#), later.

Vow of poverty. If you are a member of a religious order and have taken a vow of poverty, you are already exempt from paying SE tax on your earnings for ministerial services you perform as an agent of your church or its agencies.

You don't need to request a separate exemption. For income tax purposes, the earnings are tax free to you. Your earnings are considered the income of the religious order.

Services covered under FICA at the election of the order. However, even if you have taken a vow of poverty, the services you perform for your church or its agencies may be covered under social security. Your services are covered if your order, or an autonomous subdivision of the order, elects social security coverage for its current and future vow-of-poverty members.

The order or subdivision elects coverage by filing Form SS-16. The election may cover certain vow-of-poverty members for a retroactive period of up to 20 calendar quarters before the quarter in which it files the certificate. If the election is made, the order or subdivision pays both the employer's and employee's share of the tax. You don't pay any of the FICA tax.

Services performed outside the order.

Even if you are a member of a religious order who has taken a vow of poverty and the order requires you to turn over amounts you earn, your earnings are subject to federal income tax and either SE tax or FICA tax (including estimated tax payments and/or withholding) if you:

- Are self-employed or an employee of an organization outside your religious community, and
- Perform work not required by, or done on behalf of, the order.

In these cases, your income from self-employment or as an employee of that outside organization is taxable to you directly. You may, however, be able to take a charitable deduction for the amount you turn over to the order. See Pub. 526, Charitable Contributions.

Rulings. Organizations and individuals may request rulings from the IRS on whether they are religious orders, or members of a religious order, respectively, for FICA tax, SE tax, and federal income tax withholding purposes. To request a ruling, follow the procedures in Revenue Procedure 2016-1, 2016-1 I.R.B. 1, available at www.irs.gov/irb/2016-01_IRB/ar07.html.

Christian Science Practitioners and Readers

Generally, your earnings from services you perform in your profession as a Christian Science practitioner or reader are subject to SE tax. However, you can request an exemption as discussed under [Exemption From Self-Employment \(SE\) Tax](#), later.

Practitioners. Christian Science practitioners are members in good standing of the Mother Church, The First Church of Christ, Scientist, in Boston, Massachusetts, who practice healing according to the teachings of Christian Science. State law specifically exempts Christian Science practitioners from licensing requirements.

Some Christian Science practitioners also are Christian Science teachers or lecturers. Income from teaching or lecturing is considered the same as income from their work as practitioners.

Readers. For tax purposes, Christian Science readers are considered the same as ordained, commissioned, or licensed ministers.

Coverage of Religious Workers (Church Employees)

If you are a religious worker (a church employee) and aren't in one of the classes already discussed, your wages are generally subject to social security and Medicare tax under FICA, not SECA. Some exceptions are discussed next.

Election by Church To Exclude Its Employees From FICA Coverage

Churches and qualified church-controlled organizations (church organizations) that are opposed for religious reasons to the payment of social security and Medicare taxes may elect to exclude their employees from FICA coverage. If your employer makes this election, it doesn't pay the employer's portion of the FICA taxes or withhold from your pay your portion of the FICA taxes. Instead, your wages are subject to SECA and you must pay SE tax on your wages if they exceed \$108.28 during the tax year. However, you can request an exemption from SE tax if you are a member of a recognized religious sect, as discussed below.

Churches and church organizations make this election by filing two copies of Form 8274. For more information about making this election, see Form 8274.

Election by Certain Church Employees Who Are Opposed to Social Security and Medicare

You may be able to choose to be exempt from social security and Medicare taxes, including the SE tax, if you are a member of a recognized religious sect or division and work for a church (or church-controlled nonprofit division) that doesn't pay the employer's part of the social security tax on wages. This exemption doesn't apply to your service, if any, as a minister of a church or as a member of a religious order.

Make this choice by filing Form 4029. See [Requesting Exemption—Form 4029](#), later, under [Members of Recognized Religious Sects](#).

U.S. Citizens and Resident and Nonresident Aliens

To be covered under the SE tax provisions (SECA), individuals generally must be citizens or resident aliens of the United States. Nonresident aliens aren't covered under SECA unless a social security agreement in effect between the United States and the foreign country determines that they are covered under the U.S. social security system.

To determine your alien status, see Pub. 519, U.S. Tax Guide for Aliens.

Residents of Puerto Rico, the U.S. Virgin Islands, Guam, the CNMI, and American Samoa. If you are a resident of one of these U.S. possessions but not a U.S. citizen, for SE tax purposes you are treated the same as a citizen or resident alien of the United States. For information on figuring the tax, see [Self-Employment Tax: Figuring Net Earnings](#), later.

Ministerial Services

Ministerial services, in general, are the services you perform in the exercise of your ministry, in the exercise of your duties as required by your religious order, or in the exercise of your profession as a Christian Science practitioner or reader. Income you receive for performing ministerial services is subject to SE tax unless you have an exemption as explained later. Even if you have an exemption, only the income you receive for performing ministerial services is exempt. The exemption doesn't apply to any other income.

The following discussions provide more detailed information on ministerial services of ministers, members of a religious order, and Christian Science practitioners and readers.

Ministers

Most services you perform as a minister, priest, rabbi, etc., are ministerial services. These services include:

- Performing sacerdotal functions,
- Conducting religious worship, and
- Controlling, conducting, and maintaining religious organizations (including the religious boards, societies, and other integral agencies of such organizations) that are under the authority of a religious body that is a church or denomination.

You are considered to control, conduct, and maintain a religious organization if you direct, manage, or promote the organization's activities.

A religious organization is under the authority of a religious body that is a church or denomination if it is organized for and dedicated to carrying out the principles of a faith according to the requirements governing the creation of institutions of the faith.

Services for nonreligious organizations. Your services for a nonreligious organization are ministerial services if the services are assigned or designated by your church. Assigned or designated services qualify even if they don't involve performing sacerdotal functions or conducting religious worship.

If your services aren't assigned or designated by your church, they are ministerial services only if they involve performing sacerdotal functions or conducting religious worship.

Services that aren't part of your ministry. Income from services you perform as an employee that aren't ministerial services is subject to social security and Medicare tax withholding under FICA (not SECA) under the rules that ap-

ply to employees in general. The following aren't ministerial services.

- Services you perform for nonreligious organizations other than the services stated above.
- Services you perform as a duly ordained, commissioned, or licensed minister of a church as an employee of the United States, the District of Columbia, a foreign government, or any of their political subdivisions. These services aren't ministerial services even if you are performing sacerdotal functions or conducting religious worship. (For example, if you perform services as a chaplain in the Armed Forces of the United States, those services aren't ministerial services.)
- Services you perform in a government-owned and operated hospital. (These services are considered performed by a government employee, not by a minister as part of the ministry.) However, services that you perform at a church-related hospital or health and welfare institution, or a private nonprofit hospital, are considered to be part of the ministry and are considered ministerial services.

Books or articles. Writing religious books or articles is considered to be in the exercise of your ministry and is considered a ministerial service.

This rule also applies to members of religious orders and to Christian Science practitioners and readers.

Members of Religious Orders

Services you perform as a member of a religious order in the exercise of duties required by the order are ministerial services. The services are considered ministerial because you perform them as an agent of the order.

For example, if the order directs you to perform services for another agency of the supervising church or an associated institution, you are considered to perform the services as an agent of the order.

However, if the order directs you to work outside the order, this employment won't be considered a duty required by the order unless:

- Your services are the kind that are ordinarily performed by members of the order, and
- Your services are part of the duties that must be exercised for, or on behalf of, the religious order as its agent.

Effect of employee status. Ordinarily, if your services aren't considered directed or required of you by the order, you and the outside party for whom you work are considered employee and employer. In this case, your earnings from the services are taxed under the rules that apply to employees in general, not under the rules for services provided as agent for the order. This result is true even if you have taken a vow of poverty.

Example. Pat Brown and Chris Green are members of a religious order and have taken

vows of poverty. They renounce all claims to their earnings. The earnings belong to the order.

Pat is a licensed attorney. The superiors of the order instructed her to get a job with a law firm. Pat joined a law firm as an employee and, as she requested, the firm made the salary payments directly to the order.

Chris is a secretary. The superiors of the order instructed him to accept a job with the business office of the church that supervises the order. Chris took the job and gave all his earnings to the order.

Pat's services aren't duties required by the order. Her earnings are subject to social security and Medicare tax under FICA and to federal income tax.

Chris' services are duties required by the order. He is acting as an agent of the order and not as an employee of a third party. He doesn't include the earnings in gross income, and they aren't subject to income tax withholding or to social security and Medicare tax under FICA or SECA.

Christian Science Practitioners and Readers

Services you perform as a Christian Science practitioner or reader in the exercise of your profession are ministerial services. Amounts you receive for performing these services are generally subject to SE tax. You may request an exemption from SE tax, discussed next, which applies only to those services.

Exemption From Self-Employment (SE) Tax

You can request an exemption from SE tax if you are a member of the clergy (minister, member of a religious order, or Christian Science practitioner or reader) or a member of a recognized religious sect.



Generally, members of religious orders who have taken a vow of poverty are already exempt from paying SE tax, as discussed earlier under [Members of Religious Orders](#) under Social Security Coverage. They don't have to request the exemption.

Who can't be exempt. You can't be exempt from SE tax if you made one of the following elections to be covered under social security. These elections are irrevocable.

- You elected to be covered under social security by filing Form 2031, Revocation of Exemption From Self-Employment Tax for Use by Ministers, Members of Religious Orders, and Christian Science Practitioners, for your 1986, 1987, 2000, or 2001 tax year.
- You elected before 1968 to be covered under social security for your ministerial services.

Requesting exemption. [Table 2](#), later, briefly summarizes the procedure for requesting

exemption from the SE tax. More detailed explanations follow.



If you are a minister, member of a religious order, or Christian Science practitioner, an approved exemption only applies to earnings you receive for [ministerial services](#), discussed earlier. It doesn't apply to any other self-employment income.

Members of the Clergy

To claim the exemption from SE tax, you must meet all of the following conditions.

- You file Form 4361, described below under [Requesting Exemption—Form 4361](#).
- You are conscientiously opposed to public insurance because of your individual religious considerations (not because of your general conscience), or you are opposed because of the principles of your religious denomination.
- You file for other than economic reasons.
- You inform the ordaining, commissioning, or licensing body of your church or order that you are opposed to public insurance if you are a minister or a member of a religious order (other than a vow-of-poverty member). This requirement doesn't apply to Christian Science practitioners or readers.
- You establish that the organization that ordained, commissioned, or licensed you, or your religious order, is a tax-exempt religious organization.
- You establish that the organization is a church or a convention or association of churches.
- You didn't make an election discussed earlier under [Who can't be exempt](#).
- You sign and return the statement the IRS mails to you to certify that you are requesting an exemption based on the grounds listed on the statement.

Requesting Exemption—Form 4361

To request exemption from SE tax, file Form 4361 in triplicate (original and two copies) with the IRS.



The IRS will return to you a copy of the Form 4361 that you filed indicating whether it has approved your exemption. If it is approved, keep the approved copy of Form 4361 in your permanent records.

When to file. File Form 4361 by the date your income tax return is due, including extensions, for the second tax year in which both of the following are true.

1. You have net earnings from self-employment of at least \$400.
2. Any part of those net earnings was from ministerial services you performed as a:
 - a. Minister,
 - b. Member of a religious order, or
 - c. Christian Science practitioner or reader.

Table 2. **The Self-Employment Tax Exemption Application and Approval Process**

	Who Can Apply	
	Members of the Clergy	Members of Recognized Religious Sects
How	File Form 4361	File Form 4029
When	File by the due date (including extensions) of your income tax return for the second tax year in which you had at least \$400 of net earnings from self-employment, any of which came from ministerial services	File anytime
Approval	If approved, you will receive an approved copy of Form 4361	If approved, you will receive an approved copy of Form 4029
Effective Date	For all tax years after 1967 in which you have at least \$400 of net earnings from self-employment, any of which came from ministerial services	For all tax years beginning with the first year you meet the eligibility requirements discussed later

The 2 years don't have to be consecutive tax years.



The approval process can take some time, so you should file Form 4361 as soon as possible.

Example 1. Rev. Lawrence Jaeger, a clergyman ordained in 2015, has net self-employment earnings as a minister of \$450 in 2015 and \$500 in 2016. He must file his application for exemption by the due date, including extensions, for his 2016 income tax return. However, if Rev. Jaeger doesn't receive IRS approval for an exemption by April 18, 2017, his SE tax for 2016 is due by that date.

Example 2. Rev. Louise Wolfe has only \$300 in net self-employment earnings as a minister in 2015, but earned more than \$400 in 2014 and expects to earn more than \$400 in 2016. She must file her application for exemption by the due date, including extensions, for her 2016 income tax return. However, if she doesn't receive IRS approval for an exemption by April 18, 2017, her SE tax for 2016 is due by that date.

Example 3. In 2013, Rev. David Moss was ordained a minister and had \$700 in net self-employment earnings as a minister. In 2014, he received \$1,000 as a minister, but his related expenses were over \$1,000. Therefore, he had no net self-employment earnings as a minister in 2014. Also in 2014, he opened a book store and had \$8,000 in net self-employment earnings from the store. In 2015, he had net self-employment earnings of \$1,500 as a minister and \$10,000 net self-employment earnings from the store.

Rev. Moss had net earnings from self-employment in 2013 and 2015 that were \$400 or more each year, and part of the self-employment earnings in each of those years was for his services as a minister. Thus, he must file his

application for exemption by the due date, including extensions, for his 2015 income tax return.

Death of individual. The right to file an application for exemption ends with an individual's death. A surviving spouse, executor, or administrator can't file an exemption application for a deceased clergy member.

Effective date of exemption. An approved exemption is effective for all tax years after 1967 in which you have \$400 or more of net earnings from self-employment and any part of those earnings is for services as a member of the clergy. Once the exemption is approved, it is irrevocable.

Example. Rev. Trudy Austin, ordained in 2012, had \$400 or more in net self-employment earnings as a minister in both 2012 and 2015. She files an application for exemption on February 19, 2016. If an exemption is granted, it is effective for 2012 and the following years.

Refunds of SE tax. If, after receiving an approved Form 4361, you find that you overpaid SE tax, you can file a claim for refund on Form 1040X. Generally, for a refund, you must file Form 1040X within 3 years from the date you filed the return or within 2 years from the date you paid the tax, whichever is later. A return you filed, or tax you paid, before the due date is considered to have been filed or paid on the due date.

If you file a claim after the 3-year period but within 2 years from the time you paid the tax, the credit or refund won't be more than the tax you paid within the 2 years immediately before you file the claim.

Members of Recognized Religious Sects

If you are a member of a recognized religious sect, or a division of a recognized religious sect, you can apply for an exemption from payment

of social security and Medicare taxes on both your self-employment income and the wages you earn from an employer who also has an exemption.

Exception. If you received social security benefits or payments, or anyone else received these benefits or payments based on your wages or self-employment income, you can't apply. However, if you pay your benefits back, you may be considered for exemption. Contact your local Social Security Administration office to find out the amount you must pay back.

Eligibility requirements. To claim this exemption from SE tax, all the following requirements must be met.

1. You must file Form 4029, discussed later under [Requesting Exemption—Form 4029](#).
2. As a follower of the established teachings of the sect or division, you must be conscientiously opposed to accepting benefits of any private or public insurance that makes payments for death, disability, old age, retirement, or medical care, or provides services for medical care.
3. You must waive all rights to receive any social security payment or benefit and agree that no benefits or payments will be made to anyone else based on your wages and self-employment income.
4. The Commissioner of Social Security must determine that:
 - a. Your sect or division has the established teachings as described in (2) above,
 - b. It is the practice, and has been for a substantial period of time, for members of the sect or division to provide for their dependent members in a manner that is reasonable in view of the members' general level of living, and
 - c. The sect or division has existed at all times since December 31, 1950.

Requesting Exemption—Form 4029

To request the exemption, file Form 4029 in triplicate (original and two copies) with the Social Security Administration at the address shown on the form. The sect or division must complete part of the form.



The IRS will return to you a copy of the Form 4029 that you filed indicating whether it has approved your exemption. If it is approved, keep the approved copy of Form 4029 in your permanent records.

When to file. You can file Form 4029 at any time.

If you have an approved exemption from SE tax and for some reason that approved exemption ended, you must file a new Form 4029 if you subsequently meet the [eligibility requirements](#), discussed earlier. See *Effective date of exemption* next for information on when the

newly approved exemption would become effective.

If you have a previously approved exemption from SE tax, you are considered to have met the requirements for exemption from social security and Medicare taxes on wages and don't need to file a new Form 4029.

Effective date of exemption. An approved exemption from SE tax generally is effective for all tax years beginning with the first year you meet the [eligibility requirements](#) discussed earlier. (For example, if you meet the eligibility requirements in 2013, file Form 4029 in 2014, and the IRS approves your exemption in 2015, your exemption is effective for tax year 2013 and all later years.)

The exemption will end if you fail to meet the eligibility requirements or if the Commissioner of Social Security determines that the sect or division fails to meet them. You must notify the IRS within 60 days if you are no longer a member of the religious group, or if you no longer follow the established teachings of this group. The exemption will end for the tax year in which you or your sect/division first fails to meet the eligibility requirements.

Refunds of SE tax paid. To get a refund of any SE tax you paid while the exemption was in effect, file Form 1040X. For information on filing this form, see [Refunds of SE tax](#) under *Requesting Exemption—Form 4361*, earlier.

Exemption From FICA Taxes

Generally, under FICA, the employer and the employee each pay half of the social security and Medicare tax. Both the employee and the employer, if they meet the [eligibility requirements](#) discussed earlier, can apply to be exempt from their share of FICA taxes on wages paid by the employer to the employee.

A partnership in which each partner holds a religious exemption from social security and Medicare is an employer for this purpose.



If the employer's application is approved, the exemption will apply only to FICA taxes on wages paid to employees who also received an approval of identical applications.

Information for employers. If you have an approved Form 4029 and you have an employee who has an approved Form 4029, don't report wages you paid to the employee as social security and Medicare wages.

If you have an employee who doesn't have an approved Form 4029, you must withhold the employee's share of social security and Medicare taxes and pay the employer's share.

Form W-2. When preparing a Form W-2 for an employee with an approved Form 4029, enter "Form 4029" in box 14, "Other." Don't make any entries in boxes 3, 4, 5, or 6.

Forms 941, 943, and 944. If both you and your employee have received approved Forms 4029, don't include these exempt wages on the

following forms. Instead, follow the instructions given below.

- Form 941, Employer's QUARTERLY Federal Tax Return: check the box on line 4 and enter "Form 4029" in the empty space below the check box.
- Form 943, Employer's Annual Federal Tax Return for Agricultural Employees: enter "Form 4029" on the dotted line next to the lines 2 and 4 entry spaces.
- Form 944, Employer's ANNUAL Federal Tax Return: check the box on line 3 and enter "Form 4029" in the empty space below the check box.

Effective date. An approved exemption from FICA becomes effective on the first day of the first calendar quarter after the quarter in which you file Form 4029. The exemption will end on the last day of the calendar quarter before the quarter in which the employer, employee, sect, or division fails to meet the requirements.

Self-Employment Tax: Figuring Net Earnings

There are two methods for figuring your net earnings from self-employment as a member of the clergy or a religious worker.

- Regular method.
- Nonfarm optional method.



You may find [Worksheets 1 through 4](#) helpful in figuring your net earnings from self-employment. Blank worksheets are in the back of this publication, after the [Comprehensive Example](#).

Regular Method

Most people use the regular method. Under this method, figure your net earnings from self-employment by totaling your gross income for services you performed as a minister, a member of a religious order who hasn't taken a vow of poverty, or a Christian Science practitioner or reader. Then, subtract your allowable business deductions and multiply the difference by 92.35% (0.9235). Use Schedule SE (Form 1040) to figure your net earnings and SE tax.

If you are an employee of a church that elected to exclude you from FICA coverage, figure net earnings by multiplying your church wages shown on Form W-2 by 92.35% (0.9235). Don't reduce your wages by any business deductions when making this computation. Use Schedule SE (Form 1040), Section B, to figure your net earnings and SE tax.



If you have an approved exemption, or you are automatically exempt, don't include the income or deductions from ministerial services in figuring your net earnings from self-employment.

Amounts included in gross income. To figure your net earnings from self-employment (on Schedule SE (Form 1040)), include in gross income:

1. Salaries and fees for your [ministerial services](#) (discussed earlier),
2. Offerings you receive for marriages, baptisms, funerals, masses, etc.,
3. The value of meals and lodging provided to you, your spouse, and your dependents for your employer's convenience,
4. The fair rental value of a parsonage provided to you (including the cost of utilities that are furnished) and the rental allowance (including an amount for payment of utilities) paid to you, and
5. Any amount a church pays toward your income tax or SE tax, other than withholding the amount from your salary. This amount is also subject to income tax.

For the income tax treatment of items (2) and (4), see [Income Tax: Income and Expenses](#), later.

Example. Pastor Roger Adams receives an annual salary of \$39,000 as a full-time minister. The \$39,000 includes \$5,000 that is designated as a rental allowance to pay utilities. His church owns a parsonage that has a fair rental value of \$12,000 per year. The church gives Pastor Adams the use of the parsonage. He isn't exempt from SE tax. He must include \$51,000 (\$39,000 plus \$12,000) when figuring his net earnings for SE tax purposes.

The results would be the same if, instead of the use of the parsonage and receipt of the rental allowance for utilities, Pastor Adams had received an annual salary of \$51,000 of which \$17,000 (\$5,000 plus \$12,000) per year was designated as a rental allowance.

Overseas duty. Your net earnings from self-employment are determined without any foreign earned income exclusion or the foreign housing exclusion or deduction if you are a U.S. citizen or resident alien serving abroad and living in a foreign country.

For information on excluding foreign earned income or the foreign housing amount, see Pub. 54.

Example. Diane Jones was the minister of a U.S. church in Mexico. She earned \$35,000 in that position and was able to exclude it all for income tax purposes under the foreign earned income exclusion. The United States doesn't have a social security agreement with Mexico, so Mrs. Jones is subject to U.S. SE tax and must include \$35,000 when figuring net earnings from self-employment.

Specified U.S. possessions. The exclusion from gross income for amounts derived from American Samoa or Puerto Rico doesn't apply in computing net earnings from self-employment. Also see [Residents of Puerto Rico, the U.S. Virgin Islands, Guam, the CNMI, and American Samoa](#), earlier, under [U.S. Citizens and Resident and Nonresident Aliens](#).

Amounts not included in gross income. Don't include the following amounts in gross income when figuring your net earnings from self-employment.

- Offerings that others made to the church.

- Contributions by your church to a tax-sheltered annuity plan set up for you, including any salary reduction contributions (elective deferrals) that aren't included in your gross income.
- Pension payments or retirement allowances you receive for your past ministerial services.
- The rental value of a parsonage or a parsonage allowance provided to you after you retire.

Allowable deductions. When figuring your net earnings from self-employment, deduct all your expenses related to your ministerial services performed as a self-employed person. These are ministerial expenses you incurred while working other than as a common-law employee of the church. They include expenses incurred in performing marriages and baptisms, and in delivering speeches. Deduct these expenses on Schedule C or C-EZ (Form 1040), and carry the net amount to line 2 of Schedule SE (Form 1040), Section A or B.

Wages earned as a [common-law employee](#) (explained earlier) of a church are generally subject to self-employment tax unless an exemption is requested, as discussed earlier under [Exemption From Self-Employment \(SE\) Tax](#). Subtract any allowable expenses (including unreimbursed employee business expenses) from those wages, include the net amount on line 2 of Schedule SE (Form 1040), Section A or B, and attach an explanation. Don't complete Schedule C or C-EZ (Form 1040). However, for income tax purposes, the expenses are allowed only as an itemized deduction on Schedule A (Form 1040) to the extent they exceed 2% of adjusted gross income.

Employee reimbursement arrangements. If you received an advance, allowance, or reimbursement for your employee expenses, how you report this amount and your employee expenses depends on whether your employer reimbursed you under an accountable plan or a nonaccountable plan. Ask your employer if you aren't sure if it reimburses you using an accountable or a nonaccountable plan.

Accountable plans. To be an accountable plan, your employer's reimbursement arrangement must include all three of the following rules.

- Your expenses must have a business connection—that is, you must have paid or incurred deductible expenses while performing services as an employee of your employer.
- You must adequately account to your employer for these expenses within a reasonable period of time.
- You must return any excess reimbursement or allowance within a reasonable period of time.

The reimbursement isn't reported on your Form W-2. Generally, if your expenses equal your reimbursement, you have no deduction. If your expenses are more than your reimbursement, you can deduct your excess expenses for SE tax and income tax purposes.

Nonaccountable plan. A nonaccountable plan is a reimbursement arrangement that

doesn't meet all three of the rules listed under *Accountable plans* above. In addition, even if your employer has an accountable plan, the following payments will be treated as being paid under a nonaccountable plan.

- Excess reimbursements you fail to return to your employer.
- Reimbursement of nondeductible expenses related to your employer's business.

Your employer will combine any reimbursement paid to you under a nonaccountable plan with your wages, salary, or other compensation and report the combined total in box 1 of your Form W-2. Because reimbursements under a nonaccountable plan are included in your gross income, you can deduct your related expenses (for SE tax and income tax purposes) regardless of whether they are more than, less than, or equal to your reimbursement.

For more information on accountable and nonaccountable plans, see Pub. 463, *Travel, Entertainment, Gift, and Car Expenses*.

Married Couple Missionary Team

If both spouses are duly ordained, commissioned, or licensed ministers of a church and have an agreement that each will perform specific services for which they are paid jointly or separately, they must divide the self-employment income according to the agreement.

If the agreement is with one spouse only and the other spouse isn't paid for any specific duties, amounts received for their services are included only in the self-employment income of the spouse having the agreement.

Earnings Subject to SE Tax

For 2015, the maximum net earnings from self-employment subject to social security (old age, survivors, and disability insurance) tax is \$118,500 minus any wages and tips you earned that were subject to social security tax. The tax rate for the social security part is 12.4%. In addition, all of your net earnings are subject to the Medicare (hospital insurance) part of the SE tax. This tax rate is 2.9%. The combined self-employment tax rate is 15.3%.

Additional Medicare Tax. A 0.9% Additional Medicare Tax applies to Medicare wages, railroad retirement (RRTA) compensation, and self-employment income that are more than:

- \$125,000 if married filing separately,
- \$250,000 if married filing jointly, or
- \$200,000 for any other filing status.

Medicare wages and self-employment income are combined to determine if income exceeds the threshold. A self-employment loss isn't considered for purposes of this tax. RRTA compensation is separately compared to the threshold. For more information, see Form 8959, *Additional Medicare Tax*, and its separate instructions.

Nonfarm Optional Method

You may be able to use the nonfarm optional method for figuring your net earnings from self-employment. In general, the nonfarm optional method is intended to permit continued coverage for social security and Medicare purposes when your income for the tax year is low.

You may use the nonfarm optional method if you meet all the following tests.

1. You are self-employed on a regular basis. You meet this test if your actual net earnings from self-employment were \$400 or more in at least 2 of the 3 tax years before the one for which you use this method. The net earnings can be from either farm or nonfarm earnings or both.
2. You have used this method less than 5 prior years. (There is a 5-year lifetime limit.) The years don't have to be consecutive.
3. Your net nonfarm profits were:
 - a. Less than \$5,284 and
 - b. Less than 72.189% of your gross nonfarm income.

If you meet all three tests, use Table 3 to figure your net earnings from self-employment under the nonfarm optional method.

Table 3. Figuring Nonfarm Net Earnings

IF your gross nonfarm income is ...	THEN your net earnings are equal to ...
\$7,320 or less	Two-thirds of your gross nonfarm income.
More than \$7,320	\$4,880

Actual net earnings. Multiply your total earnings subject to SE tax by 92.35% (0.9235) to get actual net earnings. Actual net earnings are equivalent to net earnings under the "Regular Method."

More information. For more information on the nonfarm optional method, see Pub. 334, Tax Guide for Small Business, and the Schedule SE (Form 1040) instructions.

Income Tax: Income and Expenses

Some income and expense items are treated the same for both income tax and SE tax purposes and some are treated differently.

Note. For purposes of this section, references to members of the clergy are only to ministers or members of a religious order.

Income Items

The tax treatment of offerings and fees, outside earnings, rental allowances, rental value of a

parsonage, earnings of members of religious orders, and foreign earned income is discussed here.

Offerings and Fees

If you are a member of the clergy, you must include in your income offerings and fees you receive for marriages, baptisms, funerals, masses, etc., in addition to your salary. If the offering is made to the religious institution, it isn't taxable to you.

Outside Earnings

If you are a member of a religious organization and you give your outside earnings to the organization, you still must include the earnings in your income. However, you may be entitled to a charitable contribution deduction for the amount paid to the organization. For more information, see Pub. 526.

Exclusion of Rental Allowance and Fair Rental Value of a Parsonage

Ordained, commissioned, or licensed ministers of the gospel may be able to exclude from income tax the rental allowance or fair rental value of a parsonage that is provided to them as pay for their services. Services include:

- [Ministerial services](#), discussed earlier,
- Administrative duties and teaching at theological seminaries, and
- The ordinary duties of a minister performed as an employee of the United States (other than as a chaplain in the Armed Forces), a state, possession, political subdivision, or the District of Columbia.

This exclusion applies only for income tax purposes. It doesn't apply for SE tax purposes, as discussed earlier under [Amounts included in gross income](#) under *Self-Employment Tax: Figuring Net Earnings*.

Designation requirement. The church or organization that employs you must officially designate the payment as a housing allowance before it makes the payment. It must designate a definite amount. It can't determine the amount of the housing allowance at a later date. If the church or organization doesn't officially designate a definite amount as a housing allowance, you must include your total salary in your income.

If you are employed and paid by a local congregation, a resolution by a national church agency of your denomination doesn't effectively designate a housing allowance for you. The local congregation must officially designate the part of your salary that is a housing allowance. However, a resolution of a national church agency can designate your housing allowance if you are directly employed by the national agency.

An official designation of an amount as a housing or rental allowance may be shown in an employment contract, in the minutes of a church or qualified organization, in a budget, or any official action taken in advance of payment of the allowance. A designation is sufficient if it

permits a payment to be identified as a payment of a rental or housing allowance as distinguished from salary or other remuneration.

Informal discussions don't amount to an official designation. However, the facts and circumstances of a designation may demonstrate that the designation was official.

Rental allowances. If you receive in your salary an amount officially designated as a rental allowance (including an amount to pay utility costs), you can exclude the allowance from your gross income if:

- You use the amount to provide or rent a home, and
- The amount isn't more than reasonable pay for your services.

The amount you exclude can't be more than the fair rental value of the home, including furnishings, plus the cost of utilities.

Fair rental value of parsonage. You can exclude from gross income the fair rental value of a house or parsonage, including utilities, furnished to you as part of your earnings. However, the exclusion can't be more than the reasonable pay for your services. If you pay for the utilities, you can exclude any allowance designated for utility costs, up to your actual cost.

Example. Rev. Joanna Baker is a full-time minister. The church allows her to use a parsonage that has an annual fair rental value of \$24,000. The church pays her an annual salary of \$67,000, of which \$7,500 is designated for utility costs. Her actual utility costs during the year were \$7,000.

For income tax purposes, Rev. Baker excludes \$31,000 from gross income (\$24,000 fair rental value of the parsonage plus \$7,000 from the allowance for utility costs). She will report \$60,000 (\$59,500 salary plus \$500 of unused utility allowance). Her income for SE tax purposes, however, is \$91,000 (\$67,000 salary + \$24,000 fair rental value of the parsonage).

Home ownership. If you own your home and you receive as part of your salary a housing or rental allowance, you may exclude from gross income the smallest of:

- The amount actually used to provide a home,
- The amount officially designated as a rental allowance, or
- The fair rental value of the home, including furnishings, utilities, garage, etc.

Excess rental allowance. You must include in gross income the amount of any rental allowance that is more than the smallest of:

- Your reasonable salary,
- The fair rental value of the home plus utilities, or
- The amount actually used to provide a home.

Include this amount in the total on Form 1040, line 7. On the dotted line next to line 7, enter "Excess allowance" and the amount.



You may deduct the home mortgage interest and real estate taxes paid on your home even though you pay all or part of those expenses with funds you get through a tax-free rental or parsonage allowance. However, you can only deduct these expenses as itemized deductions on Schedule A (Form 1040).

Retired ministers. If you are a retired minister, you can exclude from your gross income the rental value of a home (plus utilities) furnished to you by your church as a part of your pay for past services, or the part of your pension that was designated as a rental allowance. However, a minister's surviving spouse can't exclude the rental value unless the rental value is for ministerial services he or she performs or performed.

Teachers or administrators. If you are a minister employed as a teacher or administrator by a church school, college, or university, you are performing ministerial services for purposes of the housing exclusion. However, if you perform services as a teacher or administrator on the faculty of a nonchurch college, you can't exclude from your income a housing allowance or the value of a home that the college provides to you.



If you live in faculty lodging as an employee of an educational institution or academic health center, all or part of the value of that lodging may be nontaxable under a different rule. In Pub. 525, see Faculty lodging in the discussion on meals and lodging under Fringe Benefits.

If you serve as a minister of music or minister of education, or serve in an administrative or other function of your religious organization, but aren't authorized to perform substantially all of the religious duties of an ordained minister in your church (even if you are commissioned as a minister of the gospel), the housing exclusion doesn't apply to you.

Theological students. If you are a theological student serving a required internship as a part-time or assistant pastor, you can't exclude a parsonage or rental allowance from your income unless you are ordained, commissioned, or licensed as a minister.

Traveling evangelists. You can exclude a designated rental allowance from out-of-town churches if you meet all of the following requirements.

- You are an ordained minister.
- You perform ministerial services at churches located away from your community.
- You actually use the rental allowance to maintain your permanent home.

Cantors. If you have a bona fide commission and your congregation employs you on a full-time basis to perform substantially all the religious functions of the Jewish faith, you can exclude a rental allowance from your gross income.

Earnings—Members of Religious Orders

Your earnings may be exempt from both income tax and SE tax if you are a member of a religious order who:

- Has taken a vow of poverty,
- Receives earnings for services performed as an agent of the order and in the exercise of duties required by the order, and
- Renounces the earnings and gives them to the order.

See [Members of Religious Orders](#), earlier, under *Social Security Coverage*.

Foreign Earned Income

Certain income may be exempt from income tax if you work in a foreign country or in a specified U.S. possession. Pub. 54 discusses the foreign earned income exclusion. Pub. 570, Tax Guide for Individuals With Income From U.S. Possessions, covers the rules for taxpayers with income from U.S. possessions. You can get these free publications from the Internal Revenue Service at IRS.gov or from most U.S. embassies or consulates.

Expense Items

The tax treatment of ministerial trade or business expenses, expenses allocable to tax-free income, and health insurance costs is discussed here.

Ministerial Trade or Business Expenses as an Employee

When you figure your income tax, you must itemize your deductions on Schedule A (Form 1040) to claim allowable deductions for ministerial trade or business expenses incurred while working as an employee. You also may have to file Form 2106, Employee Business Expenses (or Form 2106-EZ, Unreimbursed Employee Business Expenses).

You claim these expenses as miscellaneous itemized deductions that are subject to the 2%-of-adjusted-gross-income (AGI) limit. See Pub. 529 for more information on this limit.

However, you can't deduct any of your employee business expenses that are allocable to tax-free income (discussed next).

Expenses Allocable to Tax-Free Income

If you receive a rental or parsonage allowance that is exempt from income tax (tax free), you must allocate a portion of the expenses of operating your ministry to that tax-free income. You can't deduct the portion of your expenses that you allocate to your tax-free rental or parsonage allowance.

Exception. This rule doesn't apply to your deductions for home mortgage interest or real estate taxes on your home.

Figuring the allocation. Figure the portion of your otherwise deductible expenses that you can't deduct (because you must allocate that portion to tax-free income) by multiplying the expenses by the following fraction:

$$\frac{\text{Tax-free rental or parsonage allowance}}{\text{All income (taxable and tax free) earned from your ministry}}$$

When figuring the allocation, include the income and expenses related to the ministerial duties you perform both as an employee and as a self-employed person.



Reduce your otherwise deductible expenses only in figuring your income tax, not your SE tax.

Example. Rev. Charles Ashford received \$40,000 in earnings for ministerial services consisting of a \$28,000 salary for ministerial services performed as an employee, \$2,000 for weddings and baptisms performed as a self-employed person, and a \$10,000 tax-free parsonage allowance. He incurred \$4,000 of unreimbursed expenses connected with his earnings for ministerial services. \$3,500 of the \$4,000 is for employee expenses related to his ministerial salary, and \$500 is related to the weddings and baptisms he performed as a self-employed person.

Rev. Ashford figures the nondeductible (tax-free) portion of expenses related to his ministerial salary as follows:

$$(\$10,000 \div \$40,000) \times \$3,500 = \$875$$

Rev. Ashford figures the nondeductible (tax-free) portion of expenses related to his wedding and baptism income as follows:

$$(\$10,000 \div \$40,000) \times \$500 = \$125$$

Required statement. If you receive a tax-free rental or parsonage allowance and have ministerial expenses, attach a statement to your tax return. The statement must contain all of the following information.

- A list of each item of taxable ministerial income by source (such as wages, salary, weddings, baptisms, etc.) plus the amount.
- A list of each item of tax-free ministerial income by source (parsonage allowance) plus the amount.
- A list of each item of otherwise deductible ministerial expenses plus the amount.
- How you figured the nondeductible part of your otherwise deductible expenses.
- A statement that the other deductions claimed on your tax return aren't allocable to your tax-free income.

See the [attachments](#) prepared for the [Comprehensive Example](#), later. Following the example, you will find blank [worksheets](#) for your own use.

Health Insurance Costs of Self-Employed Ministers

If you are self-employed, you may be able to deduct the amount you paid in 2015 for medical and dental insurance and qualified long-term care insurance for you, your spouse, your dependents, and any child you may have who, as of the end of the tax year, had not attained age 27.

For purposes of this deduction, your child must be an individual who is your son, daughter, stepson, stepdaughter, or eligible foster child. An individual who has been legally adopted by you (or placed with you for adoption) will be treated as your child.

If you qualify, you can take this deduction as an adjustment to income on Form 1040, line 29. See the Instructions for Form 1040 to figure your deduction.

The following special rules apply to the self-employed health insurance deduction.

- You can't take a medical expense deduction on Schedule A (Form 1040) for any expenses you claim for purposes of the self-employed health insurance deduction.
- You can't take the deduction for any month you are eligible to participate in a subsidized plan of your (or your spouse's) employer.
- The deduction can't exceed your net earnings from the business under which the insurance plan is established. Your net earnings under this rule don't include the income you earned as a [common-law employee](#) (discussed earlier) of a church.

More information. For more information about the self-employed health insurance deduction, see chapter 6 in Pub. 535.

Deduction for SE Tax

You can deduct one-half of your SE tax in figuring adjusted gross income. This is an income tax deduction only, on Form 1040, line 27.



Don't claim this deduction in figuring net earnings from self-employment subject to SE tax.

Income Tax Withholding and Estimated Tax

The federal income tax is a pay-as-you-go tax. You must pay the tax as you earn or receive income during the year. An employee usually has income tax withheld from his or her wages or salary. However, your salary isn't subject to federal income tax withholding if both of the following conditions apply.

- You are a duly ordained, commissioned, or licensed minister, a member of a religious order (who hasn't taken a vow of poverty), or a Christian Science practitioner or reader.
- Your salary is for ministerial services (see [Ministerial Services](#), earlier).

If your salary isn't subject to withholding, or if you don't pay enough tax through withholding, you may need to make estimated tax payments to avoid penalties for not paying enough tax as you earn your income.

You generally must make estimated tax payments if you expect to owe taxes, including SE tax, of \$1,000 or more, when you file your return.

Determine your estimated tax by using the worksheets in Pub. 505, Tax Withholding and Estimated Tax. Pay the entire estimated tax for 2016 or the first installment by April 18, 2016. See Form 1040-ES for the different payment methods. The April 18 date applies whether or not your tax home and your abode are outside the United States and Puerto Rico. For more information, see chapter 2 of Pub. 505.

If you perform your services as a common-law employee of the church and your salary isn't subject to income tax withholding, you can enter into a voluntary withholding agreement with the church to cover any income and SE tax that may be due.

Filing Your Return

You must file an income tax return for 2015 if your gross income was at least the amount shown in the third column of [Table 4](#).

Additional requirements. Even if your income was less than the amount shown in [Table 4](#), you must file an income tax return on Form 1040, and attach a completed Schedule SE (Form 1040), if:

- You aren't exempt from SE tax, and you have net earnings from self-employment (discussed earlier under [Self-Employment Tax: Figuring Net Earnings](#)) of \$400 or more in the tax year,
- You are exempt from SE tax on earnings from ministerial services and you have \$400 or more of other net earnings subject to SE tax, or
- You had wages of \$108.28 or more from an electing church or church-controlled organization (see [Coverage of Religious](#)

Table 4. 2015 Filing Requirements for Most Taxpayers

IF your filing status is ...	AND at the end of 2015 you were* ...	THEN file a return if your gross income** was at least ...
single	under age 65 65 or older	\$10,300 \$11,850
married filing jointly***	under 65 (both spouses) 65 or older (one spouse) 65 or older (both spouses)	\$20,600 \$21,850 \$23,100
married filing separately	any age	\$ 4,000
head of household	under 65 65 or older	\$13,250 \$14,800
qualifying widow(er) with dependent child	under 65 65 or older	\$16,600 \$17,850

* If you were born on January 1, 1951, you are considered to be age 65 at the end of 2015. (If your spouse died in 2015 or you are preparing a return for someone who died in 2015, see Pub. 501, Exemptions, Standard Deduction, and Filing Information.)

** **Gross income** means all income you received in the form of money, goods, property, and services that isn't exempt from tax, including any income from sources outside the United States or from the sale of your main home (even if you can exclude part or all of it). **Do not** include any social security benefits unless (a) you are married filing a separate return and you lived with your spouse at any time in 2015, or (b) one-half of your social security benefits plus your other gross income and any tax-exempt interest is more than \$25,000 (\$32,000 if married filing jointly). If (a) or (b) applies, see the instructions for Form 1040, lines 20a and 20b, to figure the taxable part of social security benefits you must include in gross income. Gross income includes gains, but not losses, reported on Form 8949 or Schedule D (Form 1040). Gross income from a business means, for example, the amount on Schedule C (Form 1040), line 7, or Schedule F (Form 1040), line 9. But, in figuring gross income, don't reduce your income by any losses, including any loss on Schedule C (Form 1040), line 7, or Schedule F (Form 1040), line 9.

*** If you didn't live with your spouse at the end of 2015 (or on the date your spouse died) and your gross income was at least \$4,000, you must file a return regardless of your age.

[Workers \(Church Employees\)](#), earlier, under *Social Security Coverage*).

Self-employment tax. If you are liable for SE tax, you must file Schedule SE (Form 1040) with your return.

If you filed Form 4361 and didn't receive approval from the IRS, you must pay SE tax on your [ministerial earnings](#), as explained earlier. You should report ministerial earnings and expenses from nonemployee ministerial services on Schedule C or C-EZ (Form 1040). You should then carry the net amount over to line 2 of Schedule SE (Form 1040), Section A or B. However, if you were a duly ordained minister who was an employee of a church and you must pay SE tax on the wages you earned for those services, don't report those wages on Schedule C or C-EZ (Form 1040). Instead, report those wages less any allowable expenses (including any unreimbursed employee business expenses), on line 2 of Schedule SE (Form 1040), Section A or B, and attach an explanation.

Note. For income tax purposes, the unreimbursed employee business expenses that you incurred as an employee of the church and subtracted from your wages on line 2 of Schedule SE (Form 1040) are allowed only as an itemized deduction on Schedule A (Form 1040) if they exceed 2% of your adjusted gross income. You can't deduct these expenses on Schedule C or C-EZ (Form 1040) as a trade or business expense.

Exemption from SE tax. If you filed Form 4361 and received IRS approval not to be taxed on your ministerial earnings, and you don't have any other income subject to SE tax, don't file Schedule SE (Form 1040). Instead, enter "Exempt—Form 4361" on the dotted line next to Form 1040, line 57. However, if you had net earnings from another trade or business of \$400 or more subject to SE tax, see line A at the top of Schedule SE (Form 1040), Section B.

If you filed Form 4029 and received IRS approval not to be taxed on those earnings, and you don't have any other income subject to SE tax, don't file Schedule SE (Form 1040). Instead, enter "Form 4029" on the dotted line next to Form 1040, line 57.

More information. For more information on filing your return, including when and where to file it, see the Instructions for Form 1040.

Retirement Savings Arrangements

Retirement savings arrangements are plans that offer you a tax-favored way to save for your retirement. You generally can deduct your contributions to the plan. Your contributions and the earnings on them aren't taxed until they are distributed.

Retirement plans for the self-employed. To set up one of the following plans you must be self-employed.

- SEP (simplified employee pension) plan.

- SIMPLE (savings incentive match plan for employees) plan.
- Qualified retirement plan (also called a Keogh or H.R. 10 plan).

The common-law rules determine whether you are an employee or a self-employed person for purposes of setting up a retirement plan. See [Employment status for other tax purposes](#) under *Coverage of Members of the Clergy*, earlier. This result is true even if your compensation for [ministerial services](#) (defined earlier) is subject to SE tax.

For example, if a congregation pays you a salary for performing ministerial services and you are subject to the congregation's control, you generally are a common-law employee. You aren't a self-employed person for purposes of setting up a retirement plan. This result is true even if your salary is subject to SE tax.

On the other hand, amounts received directly from members of the congregation, such as fees for performing marriages, baptisms, or other personal services that you report on Schedule C or C-EZ (Form 1040), are earnings from self-employment for all tax purposes.

For more information on establishing a SEP, SIMPLE, or qualified retirement plan, see Pub. 560, *Retirement Plans for Small Business* (SEP, SIMPLE, and Qualified Plans).

Individual retirement arrangements (IRAs).

The traditional IRA and the Roth IRA are two individual retirement arrangements you can use to save money for your retirement. Generally, your maximum contribution for 2015 to either of these plans (or to a combination of the two) is the smaller of your taxable compensation or \$5,500 (\$6,500 if you are age 50 or older by the end of 2015).

However, your maximum contribution to a Roth IRA will be further reduced or eliminated if your adjusted gross income is above a certain amount. You can't deduct Roth IRA contributions, but if you satisfy certain requirements, all earnings in the Roth IRA are tax free and neither your nondeductible contributions nor any earnings on them are taxable when distributed.

If you contribute to a traditional IRA, your contribution may be deductible. However, your deduction may be reduced or eliminated if you or your spouse is covered by an employer retirement plan (including, but not limited to, a SEP, SIMPLE, or qualified retirement plan).

For more information on IRAs, see Pub. 590-A, *Contributions to Individual Retirement Arrangements (IRAs)*.

Tax-sheltered annuity plans. Church employees, members of religious orders, and duly ordained, commissioned, or licensed ministers working as ministers or chaplains can participate in tax-sheltered annuity (403(b)) plans. For more information, see Pub. 571, *Tax-Sheltered Annuity Plans (403(b) Plans) For Employees of Public Schools and Certain Tax-Exempt Organizations*.

Deducting contributions to tax-sheltered annuity plans. If you are an employee, your employer may exclude allowable contributions to a 403(b) plan from your income. These contributions won't be included in your total wages

on your Form W-2, but you will pay tax on distributions from your plan. However, if you choose to have contributions made to a Roth contribution program, they won't be excluded from your income, but will be distributed tax free.

You may also participate in a 403(b) plan if you are a minister or chaplain and, in the exercise of your ministry, you are either self-employed or employed by an organization that isn't exempt from tax under section 501(c)(3) of the Internal Revenue Code. If either situation applies to you, you can deduct your contributions to a 403(b) plan as explained next.

- If you are self-employed, deduct your contributions on Form 1040, line 28.
- If you aren't self-employed and your employer doesn't exclude your contributions from your earned income, deduct your contributions on Form 1040, line 36. Enter the amount of your deduction and "403(b)" on the dotted line next to line 36.

Retirement savings contributions credit.

You may be able to take a tax credit of up to \$1,000 (up to \$2,000 if filing jointly) for certain contributions you make to any of the retirement plans or IRAs discussed earlier. The credit is based on the contributions you make and your credit rate. Your credit rate can be as low as 10% or as high as 50%, depending on your adjusted gross income. Figure the credit on Form 8880, *Credit for Qualified Retirement Savings Contributions*.

You can't take the credit if any of the following apply.

1. You were born after January 1, 1998.
2. You were a student who during any part of 5 calendar months (not necessarily consecutive) of 2015:
 - a. Was enrolled as a full-time student at a school, or
 - b. Took a full-time, on-farm training course given by a school or a state, county, or local government agency.
3. Someone, such as your parent(s), claims an exemption for you on his or her 2015 tax return.
4. Your adjusted gross income for 2015 is more than:
 - a. \$61,000, if your filing status is married filing jointly,
 - b. \$45,750, if your filing status is head of household, or
 - c. \$30,500, if your filing status is single, married filing separately, or qualifying widow(er) with dependent child.

Full-time student. You are a full-time student if you are enrolled for the number of hours or courses the school considers to be full time.

Adjusted gross income. When figuring adjusted gross income, you must add back any exclusion or deduction claimed for the year for:

1. Foreign earned income,
2. Foreign housing costs,
3. Income of bona fide residents of American Samoa, and

- Income of bona fide residents of Puerto Rico.

More information. For more information about the credit, see Pub. 590-A.

Health Care: Individual Responsibility

Shared responsibility payment. If for any month in 2015, you, your spouse (if filing jointly), or your dependents didn't have qualifying health care coverage (called minimum essential coverage) and didn't qualify for a coverage exemption, then you must make a shared responsibility payment. See the instructions for line 61 in the Form 1040 instructions and Form 8965 for more information.

Minimum essential coverage. Most health care coverage that people have is minimum essential coverage. Minimum essential coverage includes:

- Most types of health care coverage provided by your employer,
- Many types of government-sponsored health care coverage including Medicare, most Medicaid coverage, and most health care coverage provided to veterans and active duty service members,
- Certain types of health care coverage you buy directly from an insurance company, and
- Health care coverage you buy through the Marketplace.

See the instructions for Form 8965 for more information on what qualifies as minimum essential coverage.

Premium tax credit. If you, your spouse, or a dependent enrolled in health insurance through the Marketplace, you may be able to claim the premium tax credit. See the instructions for Form 1040, line 69, and Form 8962.

Earned Income Credit

The earned income credit is a credit for certain people who work. If you qualify for it, the earned income credit reduces the tax you owe. Even if you don't owe tax, you can get a refund of the credit.

You can't take the credit for 2015 if your earned income (or adjusted gross income) is:

- \$14,820 or more (\$20,330 or more if married filing jointly) and you don't have a qualifying child,
- \$39,131 or more (\$44,651 or more if married filing jointly) and you have one qualifying child,
- \$44,454 or more (\$49,974 or more if married filing jointly) and you have two qualifying children, or
- \$47,747 or more (\$53,267 if married filing jointly) and you have three or more qualifying children.

Earned income. Earned income includes your:

- Wages, salaries, tips, and other taxable employee compensation (even if these amounts are exempt from FICA or SECA under an approved Form 4029 or 4361), and
- Net earnings from self-employment that are **not** exempt from SECA (you don't have an approved Form 4029 or 4361) that you report on Schedule SE, line 3, with the following adjustments.
 - Subtract the amount you claimed (or should have claimed) on Form 1040, line 27, for the deductible part of your SE tax.
 - Add any amount from Schedule SE, Section B, line 4b and line 5a.

To figure your earned income credit, see the Form 1040 instructions for lines 66a and 66b.



*If you are a minister and have an approved Form 4361, your earned income will still include wages and salaries earned as an employee, but it will **not** include amounts you received for nonemployee ministerial duties, such as fees for performing marriages and baptisms, and honoraria for delivering speeches.*

More information. For detailed rules on this credit, see Pub. 596. To figure the amount of your credit, you can either fill out a worksheet or have the IRS compute the credit for you. You may need to complete Schedule EIC and attach it to your tax return.

Comprehensive Example

Rev. John White is the minister of the First United Church. He is married and has one child, Jennifer. Jennifer is considered a qualifying child for the child tax credit. Mrs. Susan White isn't employed outside the home. Rev. White is a common-law employee of the church, and he hasn't applied for an exemption from SE tax.

The church paid Rev. White a salary of \$31,000. In addition, as a self-employed person, he earned \$4,000 during the year for weddings, baptisms, and honoraria. He made estimated tax payments during the year totaling \$7,000. The local community college paid him \$3,400 for teaching a course. The Whites paid \$925 in general state and local sales taxes during 2015.

Rev. and Mrs. White own a home next to the church. They make a \$650 per month mortgage payment of principal and interest only. They paid \$1,800 in real estate taxes for the year on the home. The church paid Rev. White \$800 per month as his parsonage allowance (excluding utilities). The home's fair rental value for the year (excluding utilities) is \$9,840. The utility bills for the year totaled \$960. The church paid him \$100 per month (\$1,200 for the year) designated as an allowance for utility costs.

First, the parts of Rev. and Mrs. White's income tax return are explained in the order the Whites complete them. Next, the parts are

illustrated in the order that Rev. White will assemble the return to send it to the IRS.

Form W-2 From Church

The church completed its [Form W-2](#) for Rev. White as follows.

Box 1. The church entered Rev. White's \$31,000 salary.

Box 2. The church left this box blank because Rev. White didn't request federal income tax withholding.

Boxes 3 through 6. Rev. White is considered a self-employed person for purposes of social security and Medicare tax withholding, so the church left these boxes blank.

Box 14. The church entered Rev. White's total parsonage and utilities allowance for the year and identified them.

Form W-2 From College

The community college gave Rev. White a [Form W-2](#) that showed the following.

Box 1. The college entered Rev. White's \$3,400 salary.

Box 2. The college withheld \$272 in federal income tax on Rev. White's behalf.

Boxes 3 and 5. As an employee of the college, Rev. White is subject to social security and Medicare withholding on his full \$3,400 salary from the college.

Box 4. The college withheld \$210.80 in social security taxes.

Box 6. The college withheld \$49.30 in Medicare taxes.

Schedule C-EZ (Form 1040)

Some of Rev. White's entries on [Schedule C-EZ](#) are explained here.

Line 1. Rev. White reports the \$4,000 from weddings, baptisms, and honoraria.

Line 2. Rev. White reports his expenses related to the line 1 amount. He paid \$87 for marriage and family booklets and drove his car 490 miles for business, mainly in connection with honoraria. Rev. White used the standard mileage rate to figure his car expense, as follows.

$$490 \text{ miles} \times 57.5 \text{ cents } (\$0.575) = \$282$$

These expenses total \$369 (\$282 + \$87). However, he can't deduct the part of his expenses allocable to his tax-free parsonage allowance.

First, Rev. White uses Worksheet 1 to figure his percentage of tax-free income. Then he completes Worksheet 2 (see [Attachment 1 \(continued\)](#), later) to show that 23% or \$85 (\$369 × 23% (0.23)) of his business expenses aren't deductible because they are allocable to his tax-free allowance. He subtracts the \$85

from the \$369, enters the \$284 difference on line 2, and adds a note at the bottom of the schedule to see the attached statement.

Rev. White attaches Worksheets 1 and 2 to his return. This is part of his required statement. See [Attachment 1](#), later.

Line 3. Rev. White enters his net profit of \$3,716 (\$4,000 – \$284) on line 3 and on Form 1040, line 12.

Lines 4 through 8b. Rev. White fills out these lines to report information about his car.

Form 2106-EZ

Rev. White fills out [Form 2106-EZ](#) to report the unreimbursed business expenses he had as a common-law employee of First United Church.

Line 1. Before completing line 1, Rev. White fills out Part II because he used his car for church business. His records show that he drove 2,774 business miles, which he reports in Part II. Then, he figures his car expense for his line 1 entry.

$$2,774 \text{ miles} \times 57.5 \text{ cents } (\$0.575) = \$1,595$$

Line 4. He enters \$231 for his professional publications and booklets.

Line 6. Before entering the total expenses on line 6, Rev. White must reduce them by the amount allocable to his tax-free parsonage allowance. After completing Worksheet 3 (see [Attachment 1](#), later), he finds that \$420 $(\$1,595 + \$231) \times 23\% (0.23)$ of his employee business expenses aren't deductible. He subtracts \$420 from \$1,826 $(\$1,595 + \$231)$ and enters the result, \$1,406, on line 6, adding a note at the bottom of the page about the attached statement. He also enters \$1,406 on Schedule A (Form 1040), line 21.

Schedule A (Form 1040)

Rev. White fills out [Schedule A](#) as explained here.

Line 5. He deducts \$925 for state and local general sales taxes paid during 2015. Because he has accurate records, he uses his actual expenses and doesn't need to complete the State and Local General Sales Tax Deduction Worksheet and consult the Optional State and Local Sales Tax Tables in the Schedule A (Form 1040) instructions.

Line 6. He deducts \$1,800 in real estate taxes paid in 2015.

Line 10. He deducts \$5,572 of home mortgage interest paid in 2015 (reported on Form 1098, Mortgage Interest Statement (not shown)).

Line 16. Rev. and Mrs. White contributed \$4,800 in cash during the year to various quali-

fying charities. Each individual contribution was less than \$250 and they have the required records for all donations.

Line 21. Rev. White enters his \$1,406 of unreimbursed employee business expenses from Form 2106-EZ, line 6.

Lines 25, 26, and 27. He can deduct only the part of his employee business expenses that exceeds 2% of his adjusted gross income. After he completes page 1 of Form 1040, he fills out these lines to figure the amount he can deduct.

Line 29. The total of all the Whites' itemized deductions is \$13,797, which he enters here and on Form 1040, line 40.

Schedule SE (Form 1040)

After Rev. White prepares Schedule C-EZ and Form 2106-EZ, he fills out [Schedule SE \(Form 1040\)](#). He reads the chart on page 1 of the schedule and determines that he can use *Section A—Short Schedule SE* to figure his self-employment tax. Rev. White is a minister, so his salary from the church isn't considered church employee income. Thus, he doesn't have to use *Section B—Long Schedule SE*. He fills out the following lines in Section A.

Line 2. Rev. White attaches a statement (see [Attachment 2](#), Worksheet 4, later) that explains how he figures the amount (\$43,605) to enter on line 2, and adds a note at the bottom of the page to see the attached statement.

Line 4. He multiplies \$43,605 by 92.35% (0.9235) to get his net earnings from self-employment (\$40,269).

Line 5. The amount on line 4 is less than \$118,500, so Rev. White multiplies the amount on line 4 (\$40,269) by 15.3% (0.153) to get his self-employment tax of \$6,161. He enters that amount here and on Form 1040, line 57.

Line 6. Rev. White multiplies the amount on line 5 by 50% (0.50) to get his deduction for the employer-equivalent portion of self-employment tax of \$3,081. He enters that amount here and on Form 1040, line 27.

Form 1040

After Rev. White prepares Form 2106-EZ and the other schedules, he fills out Form 1040. He files a joint return with his wife. First, he fills out the address area and completes the appropriate lines for his filing status and exemptions. Then, he fills out the rest of the form as follows.

Line 7. Rev. White reports \$34,640. This amount is the total of his \$31,000 church salary, \$3,400 college salary, and \$240 (\$1,200 – \$960), his excess utility allowance. He enters "Excess allowance \$240" on the dotted line next

to line 7 as directed under [Excess rental allowance](#), earlier. His employers reported the two salaries to him in box 1 of the Forms W-2 he received.

Line 12. He reports his net profit of \$3,716 from Schedule C-EZ, line 3.

Line 27. He enters \$3,081, the deductible part of his SE tax from Schedule SE, line 6.

Line 40. He enters \$12,872, the total itemized deductions from Schedule A, line 29.

Line 52. The Whites can take the child tax credit for their daughter, Jennifer. Rev. White figures the credit by completing the Child Tax Credit Worksheet (not shown) in the Instructions for Form 1040. He enters the \$948 credit on line 52.

Line 57. He enters \$6,161, the self-employment tax from Schedule SE, line 5.

Line 61. Rev. White checks the box and leaves the entry space blank because he, his wife, and daughter had qualifying health coverage for all of 2015.

Line 64. He enters \$272, the federal income tax withheld, as shown in box 2 of his Form W-2 from the college.

Line 65. He enters the \$7,000 estimated tax payments he made for the year.

Line 66a. Rev. White completes Steps 1 - 5 of the instructions for lines 66a and 66b to see if he can claim the earned income credit. As instructed under *Clergy* following Step 6, he writes "Clergy" on the dotted line next to line 66a. He then completes Worksheet B (not illustrated) in the instructions and finds that he qualifies for an earned income credit of \$116. He enters \$116 on line 66a and attaches Schedule EIC as directed by line 11 of Worksheet B.

Line 67. Rev. White enters \$52 from Schedule 8812 (not illustrated).


Line 77. He wants to have any overpayment of tax applied to his 2016 estimated tax.

Attachment 1

[Attachment 1](#) (Worksheets 1, 2, and 3) shows the computation of expenses that are nondeductible because they are allocable to tax-free ministerial income and the deductions allowed.

Attachment 2

[Attachment 2](#) (Worksheet 4) shows the computation of net self-employment income.


22222		a Employee's social security number 011-00-2222		OMB No. 1545-0008		Safe, accurate, FAST! Use				Visit the IRS website at www.irs.gov/efile	
b Employer identification number (EIN) 00-0246810				1 Wages, tips, other compensation 31000.00		2 Federal income tax withheld					
c Employer's name, address, and ZIP code First United Church 1042 Main Street Hometown, TX 77099				3 Social security wages		4 Social security tax withheld					
				5 Medicare wages and tips		6 Medicare tax withheld					
				7 Social security tips		8 Allocated tips					
d Control number				9		10 Dependent care benefits					
e Employee's first name and initial Last name Suff. John E. White 1040 Main Street Hometown, TX 77099				11 Nonqualified plans		12a See instructions for box 12					
				13 Statutory employee Retirement plan Third-party sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b					
				14 Other Parsonage Allowance 9600.00		12c					
				Utilities Allowance 1200.00		12d					
f Employee's address and ZIP code											
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name					

Form **W-2 Wage and Tax Statement**

2015

Department of the Treasury—Internal Revenue Service

Copy B—To Be Filed With Employee's FEDERAL Tax Return.
This information is being furnished to the Internal Revenue Service.

22222		a Employee's social security number 011-00-2222		OMB No. 1545-0008		Safe, accurate, FAST! Use				Visit the IRS website at www.irs.gov/efile	
b Employer identification number (EIN) 00-1357913				1 Wages, tips, other compensation 3400.00		2 Federal income tax withheld 272.00					
c Employer's name, address, and ZIP code Hometown College 40 Honor Road Hometown, TX 77099				3 Social security wages 3400.00		4 Social security tax withheld 210.80					
				5 Medicare wages and tips 3400.00		6 Medicare tax withheld 49.30					
				7 Social security tips		8 Allocated tips					
d Control number				9		10 Dependent care benefits					
e Employee's first name and initial Last name Suff. John E. White 1040 Main Street Hometown, TX 77099				11 Nonqualified plans		12a See instructions for box 12					
				13 Statutory employee Retirement plan Third-party sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b					
				14 Other		12c					
						12d					
f Employee's address and ZIP code											
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name					

Form **W-2 Wage and Tax Statement**

2015

Department of the Treasury—Internal Revenue Service

Copy B—To Be Filed With Employee's FEDERAL Tax Return.
This information is being furnished to the Internal Revenue Service.

For the year Jan. 1–Dec. 31, 2015, or other tax year beginning		, 2015, ending		, 20		See separate instructions.	
Your first name and initial John E.		Last name White				Your social security number 011 00 2222	
If a joint return, spouse's first name and initial Susan R.		Last name White				Spouse's social security number 011 00 1111	
Home address (number and street). If you have a P.O. box, see instructions. 1040 Main Street					Apt. no.	▲ Make sure the SSN(s) above and on line 6c are correct.	
City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions). Hometown, TX 77099					Presidential Election Campaign Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund. <input checked="" type="checkbox"/> You <input type="checkbox"/> Spouse		
Foreign country name		Foreign province/state/county		Foreign postal code			

Filing Status	1 <input type="checkbox"/> Single	4 <input type="checkbox"/> Head of household (with qualifying person). (See instructions.) If the qualifying person is a child but not your dependent, enter this child's name here. ►
	2 <input checked="" type="checkbox"/> Married filing jointly (even if only one had income)	
	3 <input type="checkbox"/> Married filing separately. Enter spouse's SSN above and full name here. ►	5 <input type="checkbox"/> Qualifying widow(er) with dependent child

Exemptions	6a <input checked="" type="checkbox"/> Yourself. If someone can claim you as a dependent, do not check box 6a				Boxes checked on 6a and 6b 2 No. of children on 6c who: • lived with you 1 • did not live with you due to divorce or separation (see instructions) Dependents on 6c not entered above Add numbers on lines above 3
	b <input checked="" type="checkbox"/> Spouse				
	c Dependents:				
	(1) First name Jennifer White	Last name White	(2) Dependent's social security number 111 00 1113	(3) Dependent's relationship to you daughter	
	(4) <input checked="" type="checkbox"/> If child under age 17 qualifying for child tax credit (see instructions)				
If more than four dependents, see instructions and check here ► <input type="checkbox"/>					

Income	7 Wages, salaries, tips, etc. Attach Form(s) W-2 Excess allowance \$ 240		7	34,640
	8a Taxable interest. Attach Schedule B if required		8a	
	b Tax-exempt interest. Do not include on line 8a		8b	
	9a Ordinary dividends. Attach Schedule B if required		9a	
	b Qualified dividends		9b	
	10 Taxable refunds, credits, or offsets of state and local income taxes		10	
	11 Alimony received		11	
	12 Business income or (loss). Attach Schedule C or C-EZ		12	3,716
	13 Capital gain or (loss). Attach Schedule D if required. If not required, check here ► <input type="checkbox"/>		13	
	14 Other gains or (losses). Attach Form 4797		14	
	15a IRA distributions	15a	b Taxable amount	15b
	16a Pensions and annuities	16a	b Taxable amount	16b
	17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E		17	
	18 Farm income or (loss). Attach Schedule F		18	
	19 Unemployment compensation		19	
20a Social security benefits	20a	b Taxable amount	20b	
21 Other income. List type and amount		21		
22 Combine the amounts in the far right column for lines 7 through 21. This is your total income ►		22	38,356	

Adjusted Gross Income	23 Educator expenses		23	
	24 Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ		24	
	25 Health savings account deduction. Attach Form 8889		25	
	26 Moving expenses. Attach Form 3903		26	
	27 Deductible part of self-employment tax. Attach Schedule SE		27	3,081
	28 Self-employed SEP, SIMPLE, and qualified plans		28	
	29 Self-employed health insurance deduction		29	
	30 Penalty on early withdrawal of savings		30	
	31a Alimony paid b Recipient's SSN ►	31a		
	32 IRA deduction		32	
	33 Student loan interest deduction		33	
	34 Tuition and fees. Attach Form 8917		34	
35 Domestic production activities deduction. Attach Form 8903		35		
36 Add lines 23 through 35		36	3,081	
37 Subtract line 36 from line 22. This is your adjusted gross income ►		37	35,275	

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 11320B

Form 1040 (2015)

Tax and Credits**Standard Deduction for—**

• People who check any box on line 39a or 39b or who can be claimed as a dependent, see instructions.
 • All others:
 Single or Married filing separately, \$6,300
 Married filing jointly or Qualifying widow(er), \$12,600
 Head of household, \$9,250

38	Amount from line 37 (adjusted gross income)	38	35,275
39a	Check <input type="checkbox"/> You were born before January 2, 1951, <input type="checkbox"/> Blind. Total boxes <input type="checkbox"/> 39a <input type="checkbox"/> 39b		
b	If your spouse itemizes on a separate return or you were a dual-status alien, check here <input type="checkbox"/> 39b		
40	Itemized deductions (from Schedule A) or your standard deduction (see left margin)	40	13,797
41	Subtract line 40 from line 38	41	21,478
42	Exemptions. If line 38 is \$154,950 or less, multiply \$4,000 by the number on line 6d. Otherwise, see instructions	42	12,000
43	Taxable income. Subtract line 42 from line 41. If line 42 is more than line 41, enter -0-	43	9,478
44	Tax (see instructions). Check if any from: a <input type="checkbox"/> Form(s) 8814 b <input type="checkbox"/> Form 4972 c <input type="checkbox"/>	44	948
45	Alternative minimum tax (see instructions). Attach Form 6251	45	
46	Excess advance premium tax credit repayment. Attach Form 8962	46	
47	Add lines 44, 45, and 46	47	948
48	Foreign tax credit. Attach Form 1116 if required	48	
49	Credit for child and dependent care expenses. Attach Form 2441	49	
50	Education credits from Form 8863, line 19	50	
51	Retirement savings contributions credit. Attach Form 8880	51	
52	Child tax credit. Attach Schedule 8812, if required	52	948
53	Residential energy credits. Attach Form 5695	53	
54	Other credits from Form: a <input type="checkbox"/> 3800 b <input type="checkbox"/> 8801 c <input type="checkbox"/>	54	
55	Add lines 48 through 54. These are your total credits	55	948
56	Subtract line 55 from line 47. If line 55 is more than line 47, enter -0-	56	-0-

Other Taxes

57	Self-employment tax. Attach Schedule SE	57	6,161
58	Unreported social security and Medicare tax from Form: a <input type="checkbox"/> 4137 b <input type="checkbox"/> 8919	58	
59	Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required	59	
60a	Household employment taxes from Schedule H	60a	
b	First-time homebuyer credit repayment. Attach Form 5405 if required	60b	
61	Health care: individual responsibility (see instructions) Full-year coverage <input checked="" type="checkbox"/>	61	
62	Taxes from: a <input type="checkbox"/> Form 8959 b <input type="checkbox"/> Form 8960 c <input type="checkbox"/> Instructions; enter code(s)	62	
63	Add lines 56 through 62. This is your total tax	63	6,161

Payments

If you have a qualifying child, attach Schedule EIC.

64	Federal income tax withheld from Forms W-2 and 1099	64	272
65	2015 estimated tax payments and amount applied from 2014 return	65	7,000
66a	Earned income credit (EIC) <i>Clergy</i>	66a	116
b	Nontaxable combat pay election 66b		
67	Additional child tax credit. Attach Schedule 8812	67	52
68	American opportunity credit from Form 8863, line 8	68	
69	Net premium tax credit. Attach Form 8962	69	
70	Amount paid with request for extension to file	70	
71	Excess social security and tier 1 RRTA tax withheld	71	
72	Credit for federal tax on fuels. Attach Form 4136	72	
73	Credits from Form: a <input type="checkbox"/> 2439 b <input checked="" type="checkbox"/> Reserved c <input type="checkbox"/> 8885 d <input type="checkbox"/>	73	
74	Add lines 64, 65, 66a, and 67 through 73. These are your total payments	74	7,440

Refund

Direct deposit? See instructions.

75	If line 74 is more than line 63, subtract line 63 from line 74. This is the amount you overpaid	75	1,279
76a	Amount of line 75 you want refunded to you . If Form 8888 is attached, check here <input type="checkbox"/>	76a	
b	Routing number	c Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings	
d	Account number		
77	Amount of line 75 you want applied to your 2016 estimated tax	77	1,279

Amount You Owe

78	Amount you owe. Subtract line 74 from line 63. For details on how to pay, see instructions	78	
79	Estimated tax penalty (see instructions)	79	

Third Party Designee

Do you want to allow another person to discuss this return with the IRS (see instructions)? ☐ **Yes.** Complete below. ☒ **No**

Designee's name Phone no. Personal identification number (PIN)

Sign Here

Joint return? See instructions. Keep a copy for your records.

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature <i>John E. White</i>	Date 3/1/2016	Your occupation Minister	Daytime phone number <input type="text"/>
Spouse's signature. If a joint return, both must sign. <i>Susan R. White</i>	Date 3/1/2016	Spouse's occupation Homemaker	If the IRS sent you an Identity Protection PIN, enter it here (see inst.) <input type="text"/>

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
Firm's name <input type="text"/>	Firm's EIN <input type="text"/>			Phone no. <input type="text"/>
Firm's address <input type="text"/>				

**SCHEDULE A
(Form 1040)**

Department of the Treasury
Internal Revenue Service (99)

Itemized Deductions

► Information about Schedule A and its separate instructions is at www.irs.gov/schedulea.

► Attach to Form 1040.

OMB No. 1545-0074

2015

Attachment
Sequence No. **07**

Name(s) shown on Form 1040

John E. White and Susan R. White

Your social security number

011-00-2222

Medical and Dental Expenses	Caution: Do not include expenses reimbursed or paid by others.				
	1	Medical and dental expenses (see instructions)	1		
	2	Enter amount from Form 1040, line 38 2			
	3	Multiply line 2 by 10% (.10). But if either you or your spouse was born before January 2, 1951, multiply line 2 by 7.5% (.075) instead	3		
	4	Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-	4		
Taxes You Paid	5 State and local (check only one box):				
	a	<input type="checkbox"/> Income taxes, or	5	925	
	b	<input checked="" type="checkbox"/> General sales taxes			
	6	Real estate taxes (see instructions)	6	1,800	
	7	Personal property taxes	7		
	8	Other taxes. List type and amount ►	8		
	9 Add lines 5 through 8		9	2,725	
	Interest You Paid Note: Your mortgage interest deduction may be limited (see instructions).	10	Home mortgage interest and points reported to you on Form 1098	10	5,572
11		Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see instructions and show that person's name, identifying no., and address ►	11		
12		Points not reported to you on Form 1098. See instructions for special rules	12		
13		Mortgage insurance premiums (see instructions)	13		
14		Investment interest. Attach Form 4952 if required. (See instructions.)	14		
15		Add lines 10 through 14	15	5,572	
Gifts to Charity If you made a gift and got a benefit for it, see instructions.		16	Gifts by cash or check. If you made any gift of \$250 or more, see instructions	16	4,800
		17	Other than by cash or check. If any gift of \$250 or more, see instructions. You must attach Form 8283 if over \$500	17	
	18	Carryover from prior year	18		
	19	Add lines 16 through 18	19	4,800	
Casualty and Theft Losses	20	Casualty or theft loss(es). Attach Form 4684. (See instructions.)	20		
Job Expenses and Certain Miscellaneous Deductions	21	Unreimbursed employee expenses—job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required. (See instructions.) ►	21	1,406	
	22	Tax preparation fees	22		
	23	Other expenses—investment, safe deposit box, etc. List type and amount ►	23		
	24	Add lines 21 through 23	24	1,406	
	25	Enter amount from Form 1040, line 38 25 35,275			
	26	Multiply line 25 by 2% (.02)	26	706	
	27	Subtract line 26 from line 24. If line 26 is more than line 24, enter -0-	27	700	
Other Miscellaneous Deductions	28	Other—from list in instructions. List type and amount ►	28		
Total Itemized Deductions	29	Is Form 1040, line 38, over \$154,950? <input checked="" type="checkbox"/> No. Your deduction is not limited. Add the amounts in the far right column for lines 4 through 28. Also, enter this amount on Form 1040, line 40. <input type="checkbox"/> Yes. Your deduction may be limited. See the Itemized Deductions Worksheet in the instructions to figure the amount to enter.	29	13,797	
	30	If you elect to itemize deductions even though they are less than your standard deduction, check here <input type="checkbox"/>			

For Paperwork Reduction Act Notice, see Form 1040 instructions.

Cat. No. 17145C

Schedule A (Form 1040) 2015

**SCHEDULE C-EZ
(Form 1040)**

Department of the Treasury
Internal Revenue Service (99)
Name of proprietor

Net Profit From Business

(Sole Proprietorship)

► **Partnerships, joint ventures, etc., generally must file Form 1065 or 1065-B.**
► **Attach to Form 1040, 1040NR, or 1041. ► See instructions on page 2.**

OMB No. 1545-0074

2015

Attachment
Sequence No. **09A**

John E. White

Social security number (SSN)

011-00-2222

Part I General Information

**You May Use
Schedule C-EZ
Instead of
Schedule C
Only If You:**

- Had business expenses of \$5,000 or less,
- Use the cash method of accounting,
- Did not have an inventory at any time during the year,
- Did not have a net loss from your business,
- Had only one business as either a sole proprietor, qualified joint venture, or statutory employee,

And You:

- Had no employees during the year,
- Do not deduct expenses for business use of your home,
- Do not have prior year unallowed passive activity losses from this business, and
- Are not required to file **Form 4562**, Depreciation and Amortization, for this business. See the instructions for Schedule C, line 13, to find out if you must file.

A Principal business or profession, including product or service

Minister

B Enter business code (see page 2)

5 4 1 9 9 0

C Business name. If no separate business name, leave blank.

D Enter your EIN (see page 2)

E Business address (including suite or room no.). Address not required if same as on page 1 of your tax return.

1042 Main Street

City, town or post office, state, and ZIP code

Hometown, TX 77099

F Did you make any payments in 2015 that would require you to file Form(s) 1099? (see the Instructions for Schedule C) ☐ **Yes** ☒ **No**

G If "Yes," did you or will you file required Forms 1099? ☐ **Yes** ☒ **No**

Part II Figure Your Net Profit

1	Gross receipts. Caution: If this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked, see <i>Statutory employees</i> in the instructions for Schedule C, line 1, and check here <input type="checkbox"/>	1	4,000
2	Total expenses (see page 2). If more than \$5,000, you must use Schedule C	2	284*
3	Net profit. Subtract line 2 from line 1. If less than zero, you must use Schedule C. Enter on both Form 1040, line 12 , and Schedule SE, line 2 , or on Form 1040NR, line 13 , and Schedule SE, line 2 (see instructions). (Statutory employees do not report this amount on Schedule SE, line 2.) Estates and trusts, enter on Form 1041, line 3	3	3,716

Part III Information on Your Vehicle. Complete this part **only** if you are claiming car or truck expenses on line 2.

4 When did you place your vehicle in service for business purposes? (month, day, year) ► 7/15/2011

5 Of the total number of miles you drove your vehicle during 2015, enter the number of miles you used your vehicle for:

a Business 490 **b** Commuting (see page 2) 0 **c** Other 7,247

6 Was your vehicle available for personal use during off-duty hours? ☒ **Yes** ☐ **No**

7 Do you (or your spouse) have another vehicle available for personal use? ☒ **Yes** ☐ **No**

8a Do you have evidence to support your deduction? ☒ **Yes** ☐ **No**

b If "Yes," is the evidence written? ☒ **Yes** ☐ **No**

For Paperwork Reduction Act Notice, see the separate instructions for Schedule C (Form 1040).

Cat. No. 14374D

Schedule C-EZ (Form 1040) 2015

*See attached statement.

SCHEDULE SE
(Form 1040)

Department of the Treasury
Internal Revenue Service (99)

Self-Employment Tax

► Information about Schedule SE and its separate instructions is at www.irs.gov/schedulese.
► Attach to Form 1040 or Form 1040NR.

OMB No. 1545-0074

2015
Attachment
Sequence No. **17**

Name of person with **self-employment** income (as shown on Form 1040 or Form 1040NR)

John E. White

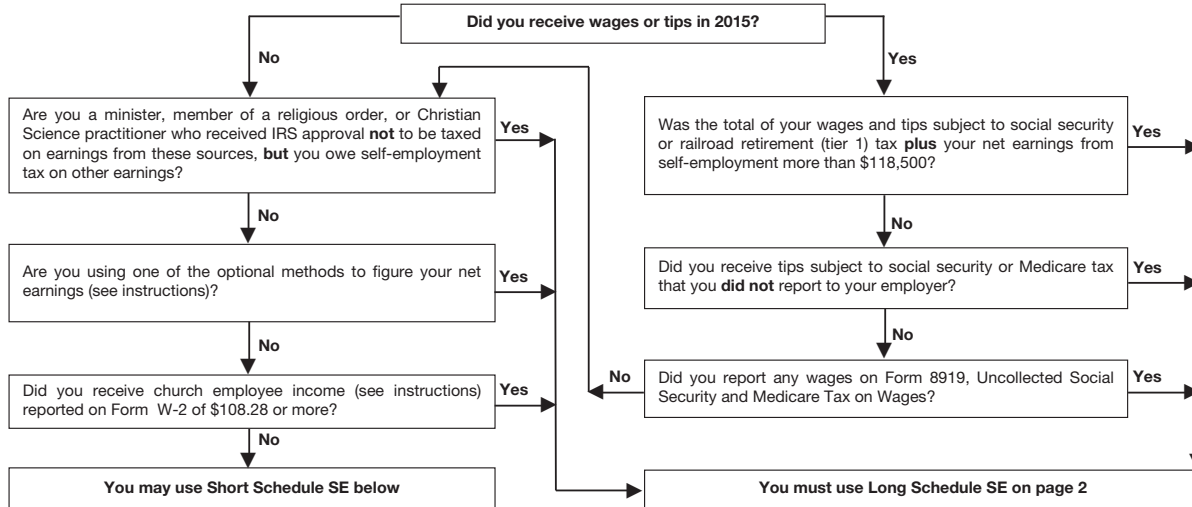
Social security number of person
with **self-employment** income ►

011-00-2222

Before you begin: To determine if you must file Schedule SE, see the instructions.

May I Use Short Schedule SE or Must I Use Long Schedule SE?

Note. Use this flowchart **only** if you must file Schedule SE. If unsure, see *Who Must File Schedule SE* in the instructions.



Section A—Short Schedule SE. Caution. Read above to see if you can use Short Schedule SE.

1a Net farm profit or (loss) from Schedule F, line 34, and farm partnerships, Schedule K-1 (Form 1065), box 14, code A	1a		
b If you received social security retirement or disability benefits, enter the amount of Conservation Reserve Program payments included on Schedule F, line 4b, or listed on Schedule K-1 (Form 1065), box 20, code Z	1b	()
2 Net profit or (loss) from Schedule C, line 31; Schedule C-EZ, line 3; Schedule K-1 (Form 1065), box 14, code A (other than farming); and Schedule K-1 (Form 1065-B), box 9, code J1. Ministers and members of religious orders, see instructions for types of income to report on this line. See instructions for other income to report	2	43,605*	
3 Combine lines 1a, 1b, and 2	3	43,605	
4 Multiply line 3 by 92.35% (.9235). If less than \$400, you do not owe self-employment tax; do not file this schedule unless you have an amount on line 1b ► Note. If line 4 is less than \$400 due to Conservation Reserve Program payments on line 1b, see instructions.	4	40,269	
5 Self-employment tax. If the amount on line 4 is: <ul style="list-style-type: none">• \$118,500 or less, multiply line 4 by 15.3% (.153). Enter the result here and on Form 1040, line 57, or Form 1040NR, line 55• More than \$118,500, multiply line 4 by 2.9% (.029). Then, add \$14,694 to the result. Enter the total here and on Form 1040, line 57, or Form 1040NR, line 55	5	6,161	
6 Deduction for one-half of self-employment tax. Multiply line 5 by 50% (.50). Enter the result here and on Form 1040, line 27, or Form 1040NR, line 27	6	3,081	

For Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 11358Z

Schedule SE (Form 1040) 2015

*See attached statement.

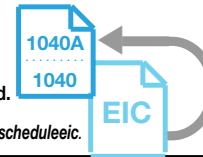
SCHEDULE EIC
(Form 1040A or 1040)Department of the Treasury
Internal Revenue Service (99)

Name(s) shown on return

John E. and Susan R. White

Earned Income Credit
Qualifying Child Information

- ▶ **Complete and attach to Form 1040A or 1040 only if you have a qualifying child.**
- ▶ **Information about Schedule EIC (Form 1040A or 1040) and its instructions is at www.irs.gov/scheduleeic.**



OMB No. 1545-0074

2015Attachment
Sequence No. **43**

Your social security number

011-00-2222

Before you begin:

- See the instructions for Form 1040A, lines 42a and 42b, or Form 1040, lines 66a and 66b, to make sure that **(a)** you can take the EIC, and **(b)** you have a qualifying child.
- Be sure the child's name on line 1 and social security number (SSN) on line 2 agree with the child's social security card. Otherwise, at the time we process your return, we may reduce or disallow your EIC. If the name or SSN on the child's social security card is not correct, call the Social Security Administration at 1-800-772-1213.



- *You can't claim the EIC for a child who didn't live with you for more than half of the year.*
- *If you take the EIC even though you are not eligible, you may not be allowed to take the credit for up to 10 years. See the instructions for details.*
- *It will take us longer to process your return and issue your refund if you do not fill in all lines that apply for each qualifying child.*

Qualifying Child Information**Child 1****Child 2****Child 3**

	Child 1	Child 2	Child 3
1 Child's name If you have more than three qualifying children, you have to list only three to get the maximum credit.	First name Jennifer Last name White	First name Last name 	First name Last name
2 Child's SSN The child must have an SSN as defined in the instructions for Form 1040A, lines 42a and 42b, or Form 1040, lines 66a and 66b, unless the child was born and died in 2015. If your child was born and died in 2015 and did not have an SSN, enter "Died" on this line and attach a copy of the child's birth certificate, death certificate, or hospital medical records.	111-00-1113		
3 Child's year of birth	Year <u>2</u> <u>0</u> <u>0</u> <u>5</u> <i>If born after 1996 and the child is younger than you (or your spouse, if filing jointly), skip lines 4a and 4b; go to line 5.</i>	Year _____ <i>If born after 1996 and the child is younger than you (or your spouse, if filing jointly), skip lines 4a and 4b; go to line 5.</i>	Year _____ <i>If born after 1996 and the child is younger than you (or your spouse, if filing jointly), skip lines 4a and 4b; go to line 5.</i>
4 a Was the child under age 24 at the end of 2015, a student, and younger than you (or your spouse, if filing jointly)?	<input type="checkbox"/> Yes. <input type="checkbox"/> No. <i>Go to line 5.</i> <i>Go to line 4b.</i>	<input type="checkbox"/> Yes. <input type="checkbox"/> No. <i>Go to line 5.</i> <i>Go to line 4b.</i>	<input type="checkbox"/> Yes. <input type="checkbox"/> No. <i>Go to line 5.</i> <i>Go to line 4b.</i>
b Was the child permanently and totally disabled during any part of 2015?	<input type="checkbox"/> Yes. <input type="checkbox"/> No. <i>Go to line 5.</i> The child is not a qualifying child.	<input type="checkbox"/> Yes. <input type="checkbox"/> No. <i>Go to line 5.</i> The child is not a qualifying child.	<input type="checkbox"/> Yes. <input type="checkbox"/> No. <i>Go to line 5.</i> The child is not a qualifying child.
5 Child's relationship to you (for example, son, daughter, grandchild, niece, nephew, foster child, etc.)	Daughter		
6 Number of months child lived with you in the United States during 2015 • If the child lived with you for more than half of 2015 but less than 7 months, enter "7." • If the child was born or died in 2015 and your home was the child's home for more than half the time he or she was alive during 2015, enter "12." _____ months <i>Do not enter more than 12 months.</i>	12 months <i>Do not enter more than 12 months.</i>	_____ months <i>Do not enter more than 12 months.</i>	_____ months <i>Do not enter more than 12 months.</i>

For Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 13339M

Schedule EIC (Form 1040A or 1040) 2015

Unreimbursed Employee Business Expenses

► Attach to Form 1040 or Form 1040NR.

► Information about Form 2106 and its separate instructions is available at www.irs.gov/form2106.**2015**Attachment
Sequence No. **129A**

Your name

John E. White

Occupation in which you incurred expenses

Minister

Social security number

011 | 00 | 2222

You Can Use This Form Only if All of the Following Apply.

- You are an employee deducting ordinary and necessary expenses attributable to your job. An ordinary expense is one that is common and accepted in your field of trade, business, or profession. A necessary expense is one that is helpful and appropriate for your business. An expense does not have to be required to be considered necessary.
- You **do not** get reimbursed by your employer for any expenses (amounts your employer included in box 1 of your Form W-2 are not considered reimbursements for this purpose).
- If you are claiming vehicle expense, you are using the standard mileage rate for 2015.

Caution: You can use the standard mileage rate for 2015 **only if:** (a) you owned the vehicle and used the standard mileage rate for the first year you placed the vehicle in service, or (b) you leased the vehicle and used the standard mileage rate for the portion of the lease period after 1997.

Part I Figure Your Expenses

1	Complete Part II. Multiply line 8a by 57.5¢ (.575). Enter the result here	1	1,595	
2	Parking fees, tolls, and transportation, including train, bus, etc., that did not involve overnight travel or commuting to and from work	2		
3	Travel expense while away from home overnight, including lodging, airplane, car rental, etc. Do not include meals and entertainment	3		
4	Business expenses not included on lines 1 through 3. Do not include meals and entertainment	4	231	
5	Meals and entertainment expenses: \$ _____ × 50% (.50). (Employees subject to Department of Transportation (DOT) hours of service limits: Multiply meal expenses incurred while away from home on business by 80% (.80) instead of 50%. For details, see instructions.)	5		
6	Total expenses. Add lines 1 through 5. Enter here and on Schedule A (Form 1040), line 21 (or on Schedule A (Form 1040NR), line 7). (Armed Forces reservists, fee-basis state or local government officials, qualified performing artists, and individuals with disabilities: See the instructions for special rules on where to enter this amount.)	6	1,406*	

Part II Information on Your Vehicle. Complete this part **only** if you are claiming vehicle expense on line 1.

7 When did you place your vehicle in service for business use? (month, day, year) ► 7 / 15 / 2011

8 Of the total number of miles you drove your vehicle during 2015, enter the number of miles you used your vehicle for:

a Business 2,774 b Commuting (see instructions) -0- c Other 4,963

9 Was your vehicle available for personal use during off-duty hours? ☒ Yes ☐ No

10 Do you (or your spouse) have another vehicle available for personal use? ☒ Yes ☐ No

11a Do you have evidence to support your deduction? ☒ Yes ☐ No

b If "Yes," is the evidence written? ☒ Yes ☐ No

For Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 20604Q

Form **2106-EZ** (2015)

*See attached statement.

Attachment 1—John E. White 011-00-2222
Worksheet 1. Figuring the Percentage of Tax-Free Income

Note. For each line, enter the appropriate amount in **all** boxes that aren't shaded.

	Source of Income			(a) Taxable	(b) Tax-free	(c) Total
1	W-2 salary as a minister (from box 1 of Form W-2)	1		31,000		31,000
2	Gross income from weddings, baptisms, writing, lecturing, etc. (from line 1 of Schedule C or C-EZ)	2		4,000		4,000
Note: Complete either lines 3a–3e or lines 4a–4i. • If your church provides you with a parsonage, complete lines 3a–3e. • If, instead of providing a parsonage, your church provides you with a rental or parsonage allowance, complete lines 4a–4i.						
3a	FRV* of parsonage provided by church	3a				
b	Utility allowance, if any	3b				
c	Actual expenses for utilities	3c				
d	Enter the smaller of line 3b or 3c	3d				
e	Excess utility allowance (subtract line 3d from line 3b)	3e				
4a	Parsonage or rental allowance	4a	9,600			
b	Utility allowance, if separate	4b	1,200			
c	Total allowance (add lines 4a and 4b)	4c	10,800			
d	Actual expenses for parsonage	4d	9,600			
e	Actual expenses for utilities	4e	960			
f	Total actual expenses for parsonage and utilities (add lines 4d and 4e)	4f	10,560			
g	FRV* of home, plus the cost of utilities	4g	10,800			
h	Enter the smaller of line 4c, 4f, or 4g	4h			10,560	10,560
i	Excess allowance (Subtract line 4h from line 4c)	4i		240		240
5	Ministerial income (for columns (a), (b), and (c), add lines 1 through 4i)	5		35,240	10,560	45,800
6	Percentage of tax-free income: $\frac{\text{Total tax-free income (line 5(b)) } \$ 10,560}{\text{Total income (line 5(c)) } \$ 45,800} = 23 \%^{**}$					

* FRV (Fair Rental Value): As determined objectively and between unrelated parties, what it would cost to rent a comparable home (including furnishings) in a similar location.

** This percentage of your ministerial expenses won't be deductible. Use Worksheets 2 and 3 to figure your allowable deductions.

Attachment 1—John E. White 011-00-2222 (continued)
Worksheet 2. Figuring the Allowable Deduction for Schedule C or C-EZ Expenses

1	Percentage of expenses that are nondeductible (from Worksheet 1, line 6): <u>23</u> %			
2	Business use of car for entire year: <u>490</u> miles x 57.5 cents (\$0.575).	2		<u>282</u>
3	Meals and entertainment: \$ <u> </u> x 50% (0.50)	3		
4	Other expenses (list item and amount)			
a	<i>Marriage and family booklets</i>	4a	<u>87</u>	
b		4b		
c		4c		
d		4d		
e		4e		
f	Total other expenses (add lines 4a through 4e)	4f		<u>87</u>
5	Total Schedule C or C-EZ expenses (add lines 2, 3, and 4f)	5		<u>369</u>
6	Nondeductible part of Schedule C or C-EZ expenses (multiply line 5 by the percent in line 1)	6		<u>85</u>
7	Deduction allowed.* Subtract line 6 from line 5. Enter the result here and on Schedule C, line 27a, or Schedule C-EZ, line 2.	7		<u>284</u>

* None of the other deductions claimed in this return are allocable to tax-free income.

Worksheet 3. Figuring the Allowable Deduction for Form 2106 or 2106-EZ Expenses

		Column A		Column B
1	Percentage of expenses that are nondeductible (from Worksheet 1, line 6): <u>23</u> %			
2	Use of car for church business for entire year: <u>2,774</u> miles x 57.5 cents (\$0.575).	2	<u>1,595</u>	
3	Meals and entertainment	3		
4	Other expenses (list item and amount)			
a	<i>Professional publications and booklets</i>	4a	<u>231</u>	
b		4b		
c		4c		
d		4d		
e		4e		
5	Total expenses. In Column A, add lines 2 and 4a through 4e and enter the result. In Column B, enter the amount from line 3.	5	<u>1,826</u>	
6	Enter reimbursements received for other expenses (Column A) and meals and entertainment (Column B) that were not included in box 1 of Form W-2	6		
7	Total Form 2106 or 2106-EZ unreimbursed expenses (subtract line 6 from line 5)	7	<u>1,826</u>	
8	In Column A, enter the amount from line 7. In Column B, multiply line 7B by 50% (0.50)	8	<u>1,826</u>	
9	Add the amounts on line 8 of both columns and enter the total here	9	<u>1,826</u>	
10	Nondeductible part of Form 2106 or 2106-EZ expenses (multiply line 9 by the percent in line 1)	10	<u>420</u>	
11	Ministerial employee business expense deduction allowed.* Subtract line 10 from line 9. Enter the result here and on Form 2106, line 10, or Form 2106-EZ, line 6.	11		<u>1,406</u>

* None of the other deductions claimed in this return are allocable to tax-free income.

Attachment 2—John E. White 011-00-2222

Worksheet 4. Figuring Net Self-Employment Income for Schedule SE (Form 1040)

1	W-2 salary as a minister (from box 1 of Form W-2)	1		31,000
2	Net profit from Schedule C, line 31, or Schedule C-EZ, line 3	2		3,716
3a	Parsonage or rental allowance (from Worksheet 1, line 3a or 4a)	3a	9,600	
b	Utility allowance (from Worksheet 1, line 3b or 4b)	3b	1,200	
c	Total allowance (add lines 3a and 3b)	3c		10,800
4	Add lines 1, 2, and 3c	4		45,516
5	Schedule C or C-EZ expenses allocable to tax-free income (from Worksheet 2, line 6)	5	85	
6	Total unreimbursed employee business expenses after the 50% reduction for meals and entertainment (from Worksheet 3, line 9)	6	1,826	
7	Total business expenses not deducted in lines 1 and 2 above (add lines 5 and 6)	7		1,911
8	Net self-employment income. Subtract line 7 from line 4. Enter here and on Schedule SE, Section A, line 2, or Section B, line 2.	8		43,605

Worksheets

These worksheets are provided to help you figure your taxable ministerial income, your allowable deductions, and your net self-employment income.

Worksheet 1. Figuring the Percentage of Tax-Free Income

Note. For each line, enter the appropriate amount in **all** boxes that aren't shaded.

	Source of Income		(a) Taxable	(b) Tax-free	(c) Total
1	W-2 salary as a minister (from box 1 of Form W-2)	1			
2	Gross income from weddings, baptisms, writing, lecturing, etc. (from line 1 of Schedule C or C-EZ)	2			
Note: Complete either lines 3a–3e or lines 4a–4i. • If your church provides you with a parsonage, complete lines 3a–3e. • If, instead of providing a parsonage, your church provides you with a rental or parsonage allowance, complete lines 4a–4i.					
3a	FRV* of parsonage provided by church	3a			
b	Utility allowance, if any	3b			
c	Actual expenses for utilities	3c			
d	Enter the smaller of line 3b or 3c	3d			
e	Excess utility allowance (subtract line 3d from line 3b)	3e			
4a	Parsonage or rental allowance	4a			
b	Utility allowance, if separate	4b			
c	Total allowance (add lines 4a and 4b)	4c			
d	Actual expenses for parsonage	4d			
e	Actual expenses for utilities	4e			
f	Total actual expenses for parsonage and utilities (add lines 4d and 4e)	4f			
g	FRV* of home, plus the cost of utilities	4g			
h	Enter the smaller of line 4c, 4f, or 4g	4h			
i	Excess allowance (subtract line 4h from line 4c)	4i			
5	Ministerial income (for columns (a), (b), and (c), add lines 1 through 4i)	5			
6	Percentage of tax-free income: $\frac{\text{Total tax-free income (line 5(b))}}{\text{Total income (line 5(c))}}$ = %**				

* FRV (Fair Rental Value): As determined objectively and between unrelated parties, what it would cost to rent a comparable home (including furnishings) in a similar location.

** This percentage of your ministerial expenses won't be deductible. Use Worksheets 2 and 3 to figure your allowable deductions.

Worksheet 2. Figuring the Allowable Deduction for Schedule C or C-EZ Expenses

1	Percentage of expenses that are nondeductible (from Worksheet 1, line 6): _____ %			
2	Business use of car for entire year: _____ miles x 57.5 cents (\$0.575).	2		
3	Meals and entertainment: \$ _____ × 50% (0.50)	3		
4	Other expenses (list item and amount)			
a		4a		
b		4b		
c		4c		
d		4d		
e		4e		
f	Total other expenses (add lines 4a through 4e)	4f		
5	Total Schedule C or C-EZ expenses (add lines 2, 3, and 4f)	5		
6	Nondeductible part of Schedule C or C-EZ expenses (multiply line 5 by the percent in line 1)	6		
7	Deduction allowed.* Subtract line 6 from line 5. Enter the result here and on Schedule C, line 27a, or Schedule C-EZ, line 2.	7		

* None of the other deductions claimed in this return are allocable to tax-free income.

Worksheet 3. Figuring the Allowable Deduction for Form 2106 or 2106-EZ Expenses

			<i>Column A</i>	<i>Column B</i>
1	Percentage of expenses that are nondeductible (from Worksheet 1, line 6): _____ %			
2	Use of car for church business for entire year: _____ miles x 57.5 cents (\$0.575).	2		
3	Meals and entertainment	3		
4	Other expenses (list item and amount)			
a		4a		
b		4b		
c		4c		
d		4d		
e		4e		
5	Total expenses. In Column A, add lines 2 and 4a through 4e and enter the result. In Column B, enter the amount from line 3.	5		
6	Enter reimbursements received for other expenses (Column A) and meals and entertainment (Column B) that were not included in box 1 of Form W-2	6		
7	Total Form 2106 or 2106-EZ unreimbursed expenses (subtract line 6 from line 5)	7		
8	In Column A, enter the amount from line 7. In Column B, multiply line 7 by 50% (0.50)	8		
9	Add the amounts on line 8 of both columns and enter the total here	9		
10	Nondeductible part of Form 2106 or 2106-EZ expenses (multiply line 9 by the percent in line 1)	10		
11	Ministerial employee business expense deduction allowed.* Subtract line 10 from line 9. Enter the result here and on Form 2106, line 10, or Form 2106-EZ, line 6.	11		

* None of the other deductions claimed in this return are allocable to tax-free income.

Worksheet 4. Figuring Net Self-Employment Income for Schedule SE (Form 1040)

1	W-2 salary as a minister (from box 1 of Form W-2)	1		
2	Net profit from Schedule C, line 31, or Schedule C-EZ, line 3	2		
3a	Parsonage or rental allowance (from Worksheet 1, line 3a or 4a)	3a		
b	Utility allowance (from Worksheet 1, line 3b or 4b)	3b		
c	Total allowance (add lines 3a and 3b)	3c		
4	Add lines 1, 2, and 3c	4		
5	Schedule C or C-EZ expenses allocable to tax-free income (from Worksheet 2, line 6)	5		
6	Total unreimbursed employee business expenses after the 50% reduction for meals and entertainment (from Worksheet 3, line 9)	6		
7	Total business expenses not deducted in lines 1 and 2 above (add lines 5 and 6)	7		
8	Net self-employment income. Subtract line 7 from line 4. Enter here and on Schedule SE, Section A, line 2, or Section B, line 2.	8		

How To Get Tax Help

If you have questions about a tax issue, need help preparing your tax return, or want to download free publications, forms, or instructions, go to IRS.gov and find resources that can help you right away.

Preparing and filing your tax return. Find free options to prepare and file your return on IRS.gov or in your local community if you qualify.

- Go to IRS.gov and click on the Filing tab to see your options.
- Enter "Free File" in the search box to see whether you can use brand-name software to prepare and *e-file* your federal tax return for free.
- Enter "VITA" in the search box, download the free IRS2Go app, or call 1-800-906-9887 to find the nearest Volunteer Income Tax Assistance or Tax Counseling for the Elderly (TCE) location for free tax preparation.
- Enter "TCE" in the search box, download the free IRS2Go app, or call 1-888-227-7669 to find the nearest Tax Counseling for the Elderly location for free tax preparation.

The Volunteer Income Tax Assistance (VITA) program offers free tax help to people who generally make \$54,000 or less, persons with disabilities, the elderly, and limited-English-speaking taxpayers who need help preparing their own tax returns. The Tax Counseling for the Elderly (TCE) program offers free tax help for all taxpayers, particularly those who are 60 years of age and older. TCE volunteers specialize in answering questions about pensions and retirement-related issues unique to seniors.



Getting answers to your tax law questions. On IRS.gov get answers to your tax questions anytime, anywhere.

- Go to www.irs.gov/Help-&-Resources for a variety of tools that will help you with your taxes.
- Enter "ITA" in the search box on IRS.gov for the Interactive Tax Assistant, a tool that will ask you questions on a number of tax law topics and provide answers. You can

print the entire interview and the final response.

- Enter "Pub 17" in the search box on IRS.gov to get Pub. 17, Your Federal Income Tax for Individuals, which features details on tax-saving opportunities, 2015 tax changes, and thousands of interactive links to help you find answers to your questions.
- Additionally, you may be able to access tax law information in your electronic filing software.

Tax forms and publications. You can download or print all of the forms and publications you may need on www.irs.gov/formspubs. Otherwise, you can go to www.irs.gov/orderforms to place an order and have forms mailed to you. You should receive your order within 10 business days.

Direct deposit. The fastest way to receive a tax refund is by combining direct deposit and IRS *e-file*. Direct deposit securely and electronically transfers your refund directly into your financial account. Eight in 10 taxpayers use direct deposit to receive their refund. The majority of refunds are received within 21 days or less.

Getting a transcript or copy of a return.

- Go to www.irs.gov/Individuals/Get-Transcript.
- Call the transcript toll-free line at 1-800-908-9946.
- Mail Form 4506-T or Form 4506T-EZ (both available on IRS.gov).

Using online tools to help prepare your return. Go to IRS.gov and click on the Tools bar to use these and other self-service options.

- The [Earned Income Tax Credit Assistant](#) determines if you are eligible for the EIC.
- The [Online EIN Application](#) helps you get an employer identification number.
- The [IRS Withholding Calculator](#) estimates the amount you should have withheld from your paycheck for federal income tax purposes.
- The [Electronic Filing PIN Request](#) helps to verify your identity when you do not have your prior year AGI or prior year self-selected PIN available.

- The [First Time Homebuyer Credit Account Look-up](#) tool provides information on your repayments and account balance.

For help with the alternative minimum tax, go to IRS.gov/AMT.

Understanding identity theft issues.

- Go to www.irs.gov/uac/Identity-Protection for information and videos.
- If your SSN has been lost or stolen or you suspect you are a victim of tax-related identity theft, visit www.irs.gov/identitytheft to learn what steps you should take.

Checking on the status of a refund.

- Go to www.irs.gov/refunds.
- Download the free IRS2Go app to your smart phone and use it to check your refund status.
- Call the automated refund hotline at 1-800-829-1954.

Making a tax payment. The IRS uses the latest encryption technology so electronic payments are safe and secure. You can make electronic payments online, by phone, or from a mobile device. Paying electronically is quick, easy, and faster than mailing in a check or money order. Go to www.irs.gov/payments to make a payment using any of the following options.

- [IRS Direct Pay](#) (for individual taxpayers who have a checking or savings account).
- Debit or credit card** (approved payment processors online or by phone).
- Electronic Funds Withdrawal** (available during *e-file*).
- Electronic Federal Tax Payment System** (best option for businesses; enrollment required).
- Check or money order.**
- IRS2Go provides access to mobile-friendly payment options like IRS Direct Pay, offering you a free, secure way to pay directly from your bank account. You can also make debit or credit card payments through an approved payment processor. Simply download IRS2Go from Google Play, the Apple App Store, or the Amazon Appstore, and make your payments anytime, anywhere.

What if I can't pay now? Click on the "Pay Your Tax Bill" icon on IRS.gov for more information about these additional options.

- Apply for an [online payment agreement](#) to meet your tax obligation in monthly installments if you cannot pay your taxes in full today. Once you complete the online process, you will receive immediate notification of whether your agreement has been approved.
- An offer in compromise allows you to settle your tax debt for less than the full amount you owe. Use the [Offer in Compromise Pre-Qualifier](#) to confirm your eligibility.

Checking the status of an amended return. Go to IRS.gov and click on the Tools tab and then [Where's My Amended Return?](#)

Understanding an IRS notice or letter. Enter "Understanding your notice" in the search box on IRS.gov to find additional information about your IRS notice or letter.

Visiting the IRS. Locate the nearest Taxpayer Assistance Center using the Office Locator tool on IRS.gov. Enter "office locator" in the search box. Or choose the "Contact Us" option on the IRS2Go app and search Local Offices. Before you visit, use the Locator tool to check hours and services available.

Watching IRS videos. The IRS Video portal www.irsvideos.gov contains video and audio presentations for individuals, small businesses, and tax professionals. You'll find video clips of tax topics, archived versions of panel discussions and Webinars, and audio archives of tax practitioner phone forums.

Getting tax information in other languages. For taxpayers whose native language is not English, we have the following resources available.

1. Taxpayers can find information on IRS.gov in the following languages.

- a. [Spanish](#).
- b. [Chinese](#).
- c. [Vietnamese](#).
- d. [Korean](#).
- e. [Russian](#).

2. The IRS Taxpayer Assistance Centers provide over-the-phone interpreter service in over 170 languages, and the service is available free to taxpayers.

The Taxpayer Advocate Service Is Here To Help You

What is the Taxpayer Advocate Service?

The Taxpayer Advocate Service (TAS) is an **independent** organization within the Internal Revenue Service that helps taxpayers and protects taxpayer rights. Our job is to ensure that every taxpayer is treated fairly and that you know and understand your rights under the [Taxpayer Bill of Rights](#).

What Can the Taxpayer Advocate Service Do For You?

We can help you resolve problems that you can't resolve with the IRS. And our service is free. If you qualify for our assistance, you will be assigned to one advocate who will work with you throughout the process and will do everything possible to resolve your issue. TAS can help you if:

- Your problem is causing financial difficulty for you, your family, or your business,
- You face (or your business is facing) an immediate threat of adverse action, or
- You've tried repeatedly to contact the IRS but no one has responded, or the IRS hasn't responded by the date promised.

How Can You Reach Us?

We have offices [in every state, the District of Columbia, and Puerto Rico](#). Your local advocate's number is in your local directory and at www.taxpayeradvocate.irs.gov. You can also call us at 1-877-777-4778.

How Can You Learn About Your Taxpayer Rights?

The Taxpayer Bill of Rights describes ten basic rights that all taxpayers have when dealing with the IRS. Our Tax Toolkit at www.taxpayeradvocate.irs.gov can help you understand [what these rights mean to you](#) and how they apply. These are **your** rights. Know them. Use them.

How Else Does the Taxpayer Advocate Service Help Taxpayers?

TAS works to resolve large-scale problems that affect many taxpayers. If you know of one of these broad issues, please report it to us at www.irs.gov/sams.

Low Income Taxpayer Clinics

Low Income Taxpayer Clinics (LITCs) serve individuals whose income is below a certain level and need to resolve tax problems such as audits, appeals, and tax collection disputes. Some clinics can provide information about taxpayer rights and responsibilities in different languages for individuals who speak English as a second language. To find a clinic near you, visit www.irs.gov/litc or see IRS Pub. 4134, [Low Income Taxpayer Clinic List](#).



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